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REPORT OF THE COMMISSION ON TRANSNATIONAL CORPORATIONS ON ITS SEVENTEENTH SESSION*

(10-19 April and 7, 10 and 15 May 1991)

* The present document is a mimeographed version of the report of the Commission on Transnational Corporations on its seventeenth session. The final report will be issued as Official Records of the Economic and Social Council, 1991, Supplement No. 10 (E/1991/31).

SUMMARY

The seventeenth session of the Commission on Transnational Corporations reviewed the rapid growth in foreign direct investment in the 1980s and projected its role in shaping world economic development and the structure of the international economy in the 1990s. Its members shared the view that foreign direct investment had been emerging as an engine of growth, and that transnational corporations increasingly had been serving as providers of capital, technology, access to exports markets and technical and managerial skills. At the same time, the Commission reiterated its concern that developing countries remained marginal to the rapid rise of global foreign-direct-investment flows. In this context, the international community needed to address the issue of coordinated policies by host countries, home countries and international institutions to enhance the contribution of transnational corporations to the development process.

Contribution to the United Nations Conference on Environment and Development

The Commission reaffirmed a number of principles which should be addressed in the context of the preparatory process for the United Nations Conference on Environment and Development in order to encourage and mobilize industrial enterprises, including transnational corporations, to cooperate in efforts to protect and enhance the environment in all countries. It also requested the Executive Director of the Centre on Transnational Corporations to prepare recommendations on cooperation for the protection and enhancement of the environment.

Other activities of the Commission

The Commission requested the Centre:

(a) To prepare a consolidated report in which the latest trends in foreign direct investment would be analysed;

(b) To update and complete its work related to the external indebtedness of developing countries;

(c) To include in its technical cooperation activities consideration of, advice on and, as appropriate, the promotion of interregional, intraregional and subregional economic integration;

(d) To continue efforts to support small- and medium-sized enterprises in developing countries, as well as training and advisory projects directed towards enhancing the capacities of developing countries to benefit from the activities of transnational corporations and joint venture schemes;

(e) To examine, in consultation with the international business community, the feasibility of establishing mechanisms for financial or in kind contributions with a view to mobilizing resources for the protection and enhancement of the environment;

(f) To diversify the sources of funding for research and technical cooperation and to seek to mobilize resources from various resources, including non-governmental organizations.

Corrupt practices

The Commission requested the Centre to prepare a report on the status of United Nations efforts to address the issue of corrupt practices in international business transactions. The preparation of this report was viewed by the Commission as an important contribution to the process of the ongoing consultations towards a final agreement on the draft code of conduct on transnational corporations.

Transnational corporations in South Africa

The Commission, while noting the existing situation in South Africa, reiterated its call upon all transnational corporations to stop immediately any operations in South Africa and all forms of trade and economic links with the racist minority regime and also called upon all multilateral financial and development institutions to cease immediately any kind of support or other forms of collaboration with the racist regime in South Africa.

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Chapter I

MATTERS CALLING FOR ACTION BY THE ECONOMIC AND SOCIAL COUNCIL OR BROUGHT TO ITS ATTENTION

A. Draft resolutions

1. The Commission on Transnational Corporations recommends to the Economic and Social Council the adoption of the following draft resolutions:

DRAFT RESOLUTION I

Activities of transnational corporations in South Africa*

The Economic and Social Council,

Recalling its resolution 1990/70 of 27 July 1990,

Taking note of the report of the Secretary-General on transnational corporations in South Africa, 1/

Reaffirming the Declaration on Apartheid and its Destructive Consequences in Southern Africa, adopted by the General Assembly at its sixteenth special session, 2/ which contains guidelines on how to end apartheid through genuine negotiations,

Noting the evolving situation in South Africa,

Mindful of its obligations towards the complete eradication of apartheid, reaffirmed in General Assembly resolutions 44/244 of 17 September 1990 and 45/176 A of 19 December 1990,

1. Notes the evolving situation in South Africa, including the proposed repeal of the major apartheid laws, and urges the South African regime to incorporate compensatory mechanisms in land reforms in order to make the eradication of apartheid lasting and equitable;

2. Reaffirms that Governments, entrepreneurs and enterprises have comprehensive responsibilities to deny sustenance to the apartheid system;

3. Reiterates its call upon all transnational corporations to stop immediately any operations in South Africa and all forms of trade and economic links with the racist minority regime:

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* For the discussion, see chap. VII below.

1/ E/C.10/1991/10.

2/ General Assembly resolution S-16/1, annex.

4. Further reiterates its call upon all multilateral financial and development institutions to cease immediately any kind of support or other form of collaboration with the racist regime in South Africa;

5. Requests the Secretary-General:

(a) In close cooperation with relevant organs of the United Nations, to continue the useful work of collecting and disseminating information, on the activities of transnational corporations in South Africa, including the list of transnational corporations still conducting operations there;

(b) To continue preparing studies on the level and form of operation by transnational corporations in South Africa, including their non-equity business arrangements and their involvement in particular sectors of the South African economy, and an updated study on the responsibilities of home countries with respect to the transnational corporations operating in South Africa in violation of relevant resolutions and decisions of the United Nations;

(c) To continue examining possible contributions of transnational corporations to the construction of a non-racial democratic South Africa in the economic and social fields, taking into account the special need to train black South African entrepreneurs;

(d) To report to the Commission on Transnational Corporations at its eighteenth session, the Economic and Social Council, the General Assembly and the Security Council on the implementation of the present resolution.

DRAFT RESOLUTION II

Recommendations of the Commission on Transnational Corporations at its seventeenth session and its contribution to the preparations for the United Nations Conference on Environment and Development*

The Economic and Social Council

I

1. Takes note of the reports of the Secretary-General on the questions of recent developments related to transnational corporations and international economic relations, 3/ the role of transnational corporations in services, including transnational banks, 4/ ongoing and future research, 5/ strengthening the negotiating capacity of developing countries in their

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* For the discussion, see chap. II below.

3/ E/C.10/1991/2.

4/ E/C.10/1991/4, E/C.10/1991/5 and E/C.10/1991/6.

5/ E/C.10/1991/7.

dealings with transnational corporations, 6/ the comprehensive information system 7/ and the activities of the United Nations Centre on Transnational Corporations; 8/

2. Requests the Secretary-General to prepare for the eighteenth session of the Commission on Transnational Corporations, drawing upon the ongoing work of the Centre, a consolidated report analysing the latest trends in foreign direct investment in the world economy, in particular, its impact on developing countries, which would include, inter alia:

(a) Ways of enhancing the benefit to developing countries of foreign direct investment;

(b) Assessment of the role of transnational corporations in regional and subregional integration processes among developing countries;

(c) The contribution made by transnational corporations to domestic investment in developing countries, particularly the least developed among them, with a view to eradicating poverty, generating employment, developing human resources, building infrastructure and, in general, enhancing the quality of people's lives, taking account of the importance of national policies;

(d) Recent trends in the activities of transnational corporations in relation to international trade, transfer of technology to developing countries, financial flows and external debt;

(e) The role that incentives and removal of disincentives in home and host countries can play in encouraging investment by transnational corporations, particularly in developing countries;

(f) The role of transnational corporations in services, especially through foreign direct investment;

(g) The significance of recent trends in the activities of transnational corporations in Central and Eastern Europe in relation to the general in their activities, in particular in developing countries;

3. Also requests the Secretary-General to update and complete the work undertaken by the Centre related to the external indebtedness of developing countries, taking into account the relevant resolutions of the General Assembly, and to submit a report thereon to the Commission at its nineteenth session;

4. Requests the Centre to include in its technical cooperation activities consideration of, advice on and, as appropriate, promotion of

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6/ E/C.10/1991/13.

7/ E/C.10/1991/14.

8/ E/C.10/1991/15.

interregional, intraregional and subregional economic integration, including the possibilities and potential for strengthening cooperation among developing countries through the transfer of technology developed by national corporations from those countries;

5. Stresses the importance of ensuring that the technical cooperation activities of the Centre will benefit developing countries equally, and requests the Centre to continue its efforts to develop its programme of support for cooperative activities of small and medium-sized enterprises in developing countries, as well as its training programmes and advisory projects directed towards improving the capacity of developing countries to promote their interests and properly benefit from the activities of transnational corporations and joint venture schemes, and requests the Secretary-General to submit to the Commission at its eighteenth session an evaluation report on the subject;

6. Requests the Secretary-General, taking into account paragraph 10 of General Assembly resolution 44/228 of 22 December 1989, which concerns the role of large industrial enterprises, including transnational corporations, in protecting and enhancing the environment, to examine, in consultation with the international business community and bearing in mind the various modalities for mobilizing resources for this purpose, the feasibility of establishing mechanisms for financial or in-kind contributions;

7. Recognizes the need for the Centre to diversify sources of funding for research and technical cooperation activities and, to that end, invites donors to contribute to the Trust Fund for the United Nations Centre on Transnational Corporations Technical Cooperation Programme, and requests the Secretary-General to seek to mobilize resources from various sources, including non-governmental organizations, and to report to the Commission at its eighteenth session;

II

8. Takes note of the reports of the Secretary-General on transnational corporations and issues relating to the environment, 9/ and requests the Secretary-General to transmit those reports to the Secretary-General of the United Nations Conference on Environment and Development, together with the views expressed by members of the Commission at its seventeenth session, with a view to making those reports available for consideration by the Preparatory Committee for the Conference at its third session;

9. Affirms that the following matters, inter alia, should be considered, consistent with General Assembly resolution 44/228, so as to encourage and mobilize large industrial enterprises, including transnational corporations, to cooperate in efforts to protect and enhance the environment in all countries:

(a) Their commitment to environmental protection in all countries;

9/ E/C.10/1991/3 and Add.1.

(b) The positive role that they can play in the protection of the environment, inter alia, through the promotion of improved management and regulation of industrial processes, and investment in and generation and dissemination of environmentally benign technologies and processes;

(c) Their observance of government-agreed international environmental standards and industry-agreed guidelines;

(d) The positive effect of the increase in research and development in the area of environmentally sound technologies;

(e) Access to environmentally sound technologies and to information thereon and cooperation between transnational corporations and host country firms, in particular those in developing countries, in the use of environmentally sound technologies;

(f) Application of corporate world-wide environment and development policies, including ways of encouraging industry to apply standards of environmental responsibility to their foreign operations that are comparable to those applied in their home countries and that are consistent with the laws and regulations of host countries;

(g) Consistent and high environmental, health and safety standards for products, processes and services, as a contribution towards reaching equivalent levels of safety for all workers, communities and consumers;

(h) Environment and development accounting and reporting;

(i) Consideration of responsibilities and of such principles as the "polluter pays", preventive action at the source, a precautionary approach to environment and development issues, minimizing the risks to human life, health, property and the environment, as well as the question of redressing damage thereto;

(j) The incorporation of environmental concerns into their activities, which should be consistent with the economic policies and development needs of developing countries and should not create new barriers to access to and transfer of technology;

(k) Cooperation with industry in producing guidelines aimed at the development of environmental management policies and programmes, as well as the further development of criteria for environmental management;

(l) The role of Governments and of international cooperation in providing an appropriate framework for contributions by transnational corporations to sustainable development;

10. Requests the Executive Director of the United Nations Centre on Transnational Corporations, after extensive consultations with international business organizations and other relevant bodies, to prepare, within the mandate of the Centre, for consideration by the Commission on Transnational Corporations and by the Preparatory Committee for the United Nations Conference on Environment and Development, action-oriented and practicable recommendations on cooperation for protection and enhancement of the

environment in all countries, taking into account the work undertaken by the Centre and by other bodies, and the views expressed by Governments during the seventeenth session of the Commission on Transnational Corporations and by the Preparatory Committee at its third session;

11. Decides that the eighteenth session of the Commission on Transnational Corporations should be held in January or February 1992 to permit, inter alia, consideration of the recommendations made by the Executive Director and to arrange for their transmittal to the Preparatory Committee for the United Nations Conference on Environment and Development at its fourth session;

12. Decides further that, in the event that the eighteenth session of the Commission cannot be held in January or February 1992, the best way should be found of bringing to the attention of the Preparatory Committee at its fourth session the recommendations of the Executive Director and the views expressed thereon by the Commission, taking into account any proposals of the Secretary-General of the United Nations and not excluding the possibility of resuming the seventeenth session of the Commission for two days;

13. Requests that the findings of the Executive Director of the Centre with respect to the research project entitled "Transfer of environmentally sound technologies to developing countries on favourable terms", together with the prototype of financial statements that would enable corporations to report their income and profits on a sustainable basis, be transmitted to the Secretary-General of the United Nations Conference on Environment and Development for consideration by the Preparatory Committee at its third session;

14. Requests the President of the Economic and Social Council to transmit section II of the present resolution to the Chairman of the Preparatory Committee for the United Nations Conference on Environment and Development as the substantive contribution of the Commission to the work of the Preparatory Committee at its third session.

DRAFT RESOLUTION III

Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting*

The Economic and Social Council,

Recalling its resolutions 1979/44 of 11 May 1979 and 1982/67 of 27 October 1982 and resolution 1988/1 adopted by the Commission on Transnational Corporations at its fourteenth session, 10/

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* For the discussion, see chap. VIII below.

10/ Official Records of the Economic and Social Council, 1988, Supplement No. 7 (E/1988/17), chap. I, sect. C.

Having considered the report of the Intergovernmental Working Group of Experts on International Standards of ACcounting and Reporting on its ninth session, 11/

Acting upon the recommendation of the Group at its ninth session concerning its future work, 12/

Decides to renew the existing mandate of the Group, contained in Economic and Social Council resolution 1982/67, and to extend its duration from three to five years so that paragraph 4 (h) of that resolution would read:

> "That the Commission on Transnational Corporations, at its annual session, shall keep under review the work of the Group; in particular, it shall review the mandate, terms of reference and achievements of the Group after five years, with a view to deciding on the advisability of its continuation".

B. Draft decision

2. The Commission on Transnational Corporations also recommends to the Economic and Social Council the adoption of the following draft decision:

Provisional agendas and documentation for the eighteenth and nineteenth sessions of the Commission on Transnational Corporations

The Economic and Social Council approves the provisional agendas and documentation for the eighteenth and nineteenth sessions of the Commission on Transnational Corporations set out below.

PROVISIONAL AGENDA AND DOCUMENTATION FOR THE EIGHTEENTH SESSION OF THE COMMISSION ON TRANSNATIONAL CORPORATIONS

1. Election of officers.

2. Adoption of the agenda and other organizational matters.

3. General discussion on transnational corporations in the world economy and trends in foreign direct investment to developing countries.

   Documentation

   Reports of the Secretary-General

11/ E/C.10/1991/12.

12/ Ibid., sect. F.

4. Transnational corporations and the environment.

Documentation

Report of the Secretary-General

5. Transnational corporations in South Africa.

Documentation

Reports of the Secretary-General

6. International arrangements and agreements relating to transnational corporations.

Documentation

Report of the Secretary-General

7. Activities of the United Nations Centre on Transnational Corporations and its joint units.

Documentation

Report of the Secretary-General on the activities of the United Nations Centre on Transnational Corporations

Report of the Secretary-General on experience gained in technical cooperation

Report of the Secretary-General on information activities

Report of the Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting on its tenth session

8. Provisional agenda for the nineteenth session of the Commission.

9. Adoption of the report of the Commission on its eighteenth session.

PROVISIONAL AGENDA AND DOCUMENTATION FOR THE NINETEENTH SESSION OF THE COMMISSION ON TRANSNATIONAL CORPORATIONS

1. Election of officers.

2. Adoption of the agenda and other organizational matters.

3. General discussion on transnational corporations in the world economy and trends in foreign direct investment to developing countries.

Documentation

Reports of the Secretary-General

4. Role of transnational corporations in newly opened economies.

Documentation

Report of the Secretary-General

5. Transnational corporations in services, including banking.

Documentation

Reports of the Secretary-General

6. International, regional and bilateral arrangements and agreements relating to transnational corporations.

Documentation

Report of the Secretary-General

7. Activities of the United Nations Centre on Transnational Corporations and its joint units.

Documentation

Report of the Secretary-General on the activities of the United Nations Centre on Transnational Corporations

Report of the Secretary-General on experience gained in technical cooperation

Report of the Secretary-General on information activities

Report of the Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting on its eleventh session

8. Provisional agenda for the twentieth session of the Commission.

9. Adoption of the report of the Commission on its nineteenth session.

C. Matters brought to the attention of the Council

3. The following resolution and decisions adopted by the Commission are brought to the attention of the Council:

Resolution 1991/1. Corrupt practices in international business transactions*

The Commission on Transnational Corporations,

Recalling General Assembly resolution 3514 (XXX) of 15 December 1975, in which the Assembly, inter alia, condemned all corrupt practices, including bribery, by transnational corporations and other corporations, their intermediaries and others involved, in violation of the laws and regulations of host countries, reaffirmed the right of any State to adopt legislation and to investigate and take appropriate legal action, in accordance with its national laws and regulations for such corrupt practices, and called upon all Governments to cooperate to prevent corrupt practices, including bribery,

Recalling also Economic and Social Council resolution 1913 (LVII) of 5 December 1974, by which the Council decided to establish the Commission and the Centre on Transnational Corporations to act, inter alia, to secure effective international arrangements within their mandate,

Recalling further the Declaration on International Economic Cooperation, in particular the Revitalization of Economic Growth and Development of the Developing Countries, adopted by the General Assembly at its eighteenth special session, 13/ and the International Development Strategy for the Fourth United Nations Development Decade, 14/

Convinced that a stable and predictable environment for international business transactions is essential for the mobilization of investment, finance, technology, skills and other important resources across national borders, to promote economic and social development world wide, especially that of countries seeking to revitalize or develop their economies,

Recognizing that the prevention and the avoidance of corrupt practices are important elements in an improved international business environment, and that they enhance fairness and competitiveness in transnational business transactions for the benefit also of the general public,

Bearing in mind work undertaken in the Committee on an International Agreement on Illicit Payments as of 1979 in the formulation of an agreement, 15/ and that further activities are necessary for the prevention and avoidance of corrupt practices, which would help strengthen international cooperation in that respect,

Bearing in mind General Assembly resolution 45/186 of 21 December 1990 concerning the draft code of conduct on transnational corporations,

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* For the discussion, see chap. VI, sect. B, below.

13/ General Assembly resolution S-18/3, annex.

14/ General Assembly resolution 45/199, annex.

15/ See E/1979/104.

Requests the Secretary-General to prepare a report on the status of United Nations efforts to address the issue of corrupt practices in international business transactions and to circulate it to Member States for the second regular session of the Economic and Social Council of 1991 in time for the ongoing consultations towards a final agreement on the draft code of conduct on transnational corporations, called for by the General Assembly in resolution 45/186, as an important contribution to that process.

Decision 1991/1. Renewal of the mandate and review of the objectives of the Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting*

The Commission on Transnational Corporations, considering that it would be more effective to alternate sessions of the Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting on general subjects with sessions on specific subjects or on the problems of specific regions, decides to recommend to the Economic and Social Council the adoption of draft resolution on the subject (for the text of the draft resolution, see chap. I, sect. A, draft resolution III).

Decision 1991/2. Report of the Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting on its ninth session and provisional agenda and documentation for the tenth session of the Group*

The Commission on Transnational Corporations decides:

(a) To approve the report of the Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting on its ninth session;

(b) To approve the provisional agenda and documentation for the tenth session of the Group as set out below.

PROVISIONAL AGENDA AND DOCUMENTATION FOR THE TENTH SESSION OF THE INTERGOVERNMENTAL WORKING GROUP OF EXPERTS ON INTERNATIONAL STANDARDS OF ACCOUNTING AND REPORTING

1. Election of officers.

2. Adoption of the agenda and other organizational matters.

3. Review of important current developments at the global and national levels in the field of accounting and reporting by transnational

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* For the discussion, see chap. VIII below.

corporations, on the basis of documentation received by the United Nations Centre on Transnational Corporations from:

(a) Individual member States;

(b) Intergovernmental organizations;

(c) Non-governmental organizations.

Documentation

Reports of the Secretary-General, including four separate reviews of important current developments in the field of accounting and reporting by transnational corporations: two at the global level, including one on the environment; and two at the national level, one on the development and use of accounting standards and the other on the environment

4. Accounting issues arising during privatization, including individual country case studies.

Documentation

Reports of the Secretary-General

5. Preparation for the 1993 session on education and training in developing countries and countries in transition.

Documentation

Reports of the Secretary-General

6. Identification of issues of accounting and reporting for discussion on a priority basis during future sessions.

Documentation

Report of the Secretary-General

7. Accounting and reporting issues arising out of the future code of conduct on transnational corporations.

Documentation

Reports of the Secretary-General

8. Provisional agenda for the eleventh session of the Group.

Documentation

Note by the Secretary-General on the draft provisional agenda for the eleventh session of the Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting

9. Adoption of the report of the Group on its tenth session.

4. The attention of the Council is also drawn to the other decisions and recommendations of the Commission (see paras. 32-39, 54, 71, 78, 97-106, 114-123, 130-132, 141, 149, 171 and 187 below).

Chapter II

RECENT DEVELOPMENTS RELATED TO TRANSNATIONAL CORPORATIONS AND INTERNATIONAL ECONOMIC RELATIONS

5. The Commission considered item 3 of its agenda at its 1st to 4th and 13th to 16th meetings, on 10, 11, 18, 19 April and 7 and 15 May 1991. It had before it the report of the Secretary-General on the triad in foreign direct investment (E/C.10/1991/2).

6. In his opening statement, the Executive Director of the United Nations Centre on Transnational Corporations said that foreign direct investment had emerged as one of the key variables shaping international economic relations and world development. Global flows of foreign direct investment had increased far more rapidly than had world trade and output: between 1983 and 1989 the value of foreign direct investment flows had grown by 30 per cent a year versus only 9 per cent a year growth of world exports and 8 per cent growth of world output in current values. He pointed to widespread attempts by countries to attract foreign direct investment but noted with concern the declining share of developing countries. Although flows of foreign direct investment to developing countries had increased in absolute terms by 78 per cent between the period 1980-1984 and 1985-1989, their share in total inflows had fallen from 25 per cent to 19 per cent. Moreover, the distribution of those inflows remained highly concentrated, three quarters of the foreign direct investment flows to developing countries having gone to only 10 countries, of which only one was an African country.

7. Two interlinked forces were highlighted as having a profound impact on the global distribution of foreign direct investment inflows: the regionalization of markets and the increasingly tripolar structure of the international economic system, with Japan, the United States of America and the European Community forming the three poles of what was widely referred to as the "triad". The triad currently accounted for over four fifths of total outward foreign direct investment stock. About half of that had been invested in the triad itself. Although the triad had remained the focus of world-wide foreign-direct-investment activity, both inward and outward, the Executive Director noted that most developing countries were strongly linked to one or more triad members through foreign direct investment. Such linkages were due to either traditional historical and cultural links or the regional strategies of transnational corporations from the triad. In that regard, the Executive Director expressed concern that the majority of developing countries might be left out of the strategies of transnational corporations from the triad. That possibility was even more disturbing because foreign direct investment, trade, technology and financial flows were interlinked to a significant extent through transnational corporations. Therefore, marginalization in respect of foreign direct investment might also imply marginalization in terms of trade and technology transfer. The Executive Director called for coordinated policy measures by host and home countries and international institutions to correct the imbalance between developed and developing countries.

8. Most delegations shared the view that foreign direct investment had been emerging as an engine of growth. They pointed to the fact that foreign direct investment had grown much faster than trade and world output in the 1980s and that the role of transnational corporations as providers of capital,

technology, access to export markets, and technical and managerial skills was a key factor in the economic development and competitiveness of countries. It was observed that foreign direct investment could play an important role in the restructuring of newly opened economies. It was noted that policy changes that created a more congenial environment for foreign direct investment by a wide spectrum of countries attested to the recognition of the potential role of transnational corporations as a significant determinant of development.

9. Many delegations addressed themselves to the finding of the report that world-wide foreign direct investment was dominated by the triad. That was due to a number of factors, including the strategic choices of transnational corporations propelled by the considerations of market size, technology and a stable economic and policy environment. Other factors included increased regionalization among developed countries, particularly in North America and Europe. Some delegations agreed with the conclusion of the report that the European Community might be properly considered a single home country for foreign direct investment, although one delegation called for further evidence in that regard. Many delegations were concerned with the finding that an increasing share of foreign direct investment was being located in the triad and that there was the possibility of the further relative decline of developing countries. One delegation noted that while many developing countries were far from the triad, the actions of the triad had a direct impact on them, and expressed concern about the resultant gap in competitiveness between developed and developing countries. It was mentioned that the regional clustering of countries around the triad members must not become exclusionary groupings with the potential danger of division of markets among triad members and the exclusion of a large number of developing countries. However, some delegations felt that that issue warranted further research.

10. Many delegations noted with concern that despite the creation of a more congenial policy environment for foreign direct investment by many developing countries, their share remained low and showed a declining trend during the 1980s. They expressed concern about the concentration of foreign direct investment in the triad and in a small number of newly industrialized and resource-rich developing countries. Some delegations noted that the report had not adequately addressed the declining position of Latin America in the global distribution of foreign direct investment flows.

11. In the context of the declining share of foreign direct investment flows to developing countries, it was observed that many of those countries had opened their economies to foreign direct investment with the liberalization of investment codes, which included opening up more sectors, removal of restrictions on foreign ownership, guaranteed profit repatriation and provision of greater fiscal incentives as well as liberalization of foreign exchange and trade regimes, but those measures had not resulted in significant inflows of foreign direct investment. One delegation agreed that liberalization, while an important first step, was not in itself adequate to increase foreign direct investment in developing countries, and another pointed out the danger of "beggar thy neighbour" policies in offering greater incentives. Furthermore, it was noted that developing countries' problems were compounded by the competition resulting from the opening up of Eastern and Central Europe to foreign direct investment.

12. Many delegations noted that traditional means of attracting transnational corporations were no longer sufficient and that emphasis needed to be placed on increasing domestic demand and improving human resources and infrastructure. Several delegations recognized the efforts of developing countries to integrate into regional groupings as an important strategy to attract foreign direct investment. Several delegations discussed their own Governments' efforts in the formation of regional markets.

13. Many delegations stressed the need for policies and incentive measures to be taken by home countries to encourage investment in developing countries. One delegation noted that such measures had already been taken with regard to investment in Eastern and Central Europe. Specific recommendations included measures to disseminate market information, assistance for technical and feasibility studies, financial and fiscal incentives by home countries and trade liberalization.

14. In addition to home country policies, many delegations stressed the need for developed countries to facilitate changes in the external economic environment affecting foreign direct investment inflows to developing countries. Specifically, that called for a reduction in protectionism, debt forgiveness, increased official development assistance and removal of restrictions on outflows of capital and technology. Some delegations called for special attention to be paid to the least developed countries. A number of delegations mentioned the importance of improvement in the investment climate in developing countries.

15. One delegation disagreed that developing countries were being marginalized, pointing out that as a group they had increased their exports in recent years, that they had maintained or increased their share of world trade and that absolute volume of foreign direct investment flows to those countries had increased. The same delegation said that only those countries that had suffered internal conflicts or had non-market economies might continue to experience marginalization. Another delegation observed that the absolute amount of foreign direct investment going to developing countries had risen and that developing countries could find new opportunities in the globalization strategies of transnational corporations from the triad, which implied a continual search for new markets and production locations and opportunities in the growth of outward foreign direct investment from non-triad countries.

16. Several delegations from developed countries also described measures their Governments had taken to encourage investment in developing host countries. One delegation from a developed country noted that its Government had entered into numerous bilateral investment treaties in order to promote outward foreign direct investment. Other measures described by delegations included technical assistance and feasibility studies, the granting of preferential interest rates and financial guarantee systems. Some delegations described new programmes instituted by their Governments involving the creation of regional funds to stimulate joint ventures between firms from developed countries and those in developing countries.

17. Some delegations from Central and Eastern European countries expressed concern about the concentration of foreign direct investment in the triad. They also elaborated on the measures taken by their Governments to integrate

their States into the world economy and encourage foreign direct investment, including major changes in investment laws, exchange regulations and privatization of state enterprises.

18. Noting that foreign direct investment was an engine of growth, several delegations raised the issue of governance, calling for additional action to address imbalances in the world-wide distribution of foreign direct investment flows. Such action would have to be multi-level, involving national, regional and international participation. Also noting the fact that no single country could regulate the activities of transnational corporations by itself, some delegations called for a set of multilateral disciplines to ensure that activities of transnational corporations conformed to the development objectives of host countries. Several delegations also called for technical assistance in the area of infrastructure and human resource development to promote a better climate for foreign direct investment.

19. Many delegations expressed the view that the Centre should continue its work in collecting and analysing data on world stocks and flows of foreign direct investment, examining the role of transnational corporations in the world economy and identifying the reasons for the declining share of developing countries in world-wide foreign direct investment flows. They stated that future research should examine the role of foreign direct investment as an engine of world-wide economic growth and the interlinkages between foreign direct investment, trade, technology transfer and financial flows. Among the suggestions for future research made by one delegation were the economic impact of foreign direct investment on host countries, particularly with regard to industrial transformation, and human resources development. Delegations commended the report of the Secretary-General (E/C.10/1991/2).

20. In his concluding remarks, the Executive Director noted that the world was witnessing a fundamental change in the role of transnational corporations through their interactions with trade, investment, technology, financial flows and the environment. He observed that there was a need for further analysis and better understanding of that complex process, including the questions of how regionalization among developed countries was going to affect the distribution of foreign direct investment flows and the observed clustering of developing countries around one of the triad members in foreign direct investment relationship in order to formulate appropriate policy responses. With regard to the issue of marginalization of developing countries, he acknowledged that there was no simple answer. While those countries experienced an absolute increase in foreign direct investment inflows, the fact that their share had declined demonstrated a relative neglect of those countries by transnational corporations.

Presentations by expert advisers

21. The Commission heard presentations by three expert advisers on the subject of recent developments related to transnational corporations and international economic relations. One expert adviser, Mr. Oswaldo Sunkel, observed that, although there existed a causal relationship between growth and foreign direct investment, that relationship was not straightforward. The relationship occurred through the creation of additional capital formation; if

the latter was productive, then foreign direct investment led to growth. But foreign direct investment did not necessarily increase capital formation. Foreign direct investment was the acquisition of assets in a foreign country; that might take the form of acquisition of existing assets, which did not necessarily contribute to economic growth. In fact, it was likely that most of the foreign direct investment boom of the 1980s was mainly investment of that kind. It was necessary to know what proportion was additional capital formation in order to ascertain whether there was any growth as a result of foreign direct investment. He noted that foreign direct investment needed to be measured in relation to the size of the receiving country. An apparently small amount might be a high proportion of gross domestic product (GDP) in some countries. Also, it was necessary to disaggregate foreign direct investment; for instance, whether it was mainly in services or manufacturing, for the local market or for export, whether it brought new technology to a country or not. The capital/output ratio for each of those types of foreign direct investment would be different and would have a different impact on the growth of the host country. It had not been clearly established that foreign direct investment definitely led to increased investment or exports in all countries.

22. An important factor behind the fact that foreign direct investment was low in developing countries and was highly concentrated was protectionism in the three poles of the triad, particularly in Japan. All three main members were highly protected, especially in agriculture and primary materials, but also in manufactures. A coalition of interests between developing countries and the affiliates of transnational corporations based there could contribute to a reversal of such protectionism.

23. In Latin America, a high proportion of foreign direct investment was forced by the mechanism of debt-to-equity swaps, and much of that investment was closely linked to privatization of state enterprises under adjustment policies. Such foreign direct investment might benefit private firms but without necessarily benefiting the host country.

24. Ms. Sylvia Ostry, in her presentation, observed that there had been three phases of internationalization in the world economy since the Second World War:

(a) The emergence and development of relatively unfettered international trade linkages articulated through the multilateral framework of the General Agreement on Tariffs and Trade (GATT);

(b) An unplanned wave of financial integration, induced by accidents of the OPEC oil shocks, the Japanese and German surpluses in the 1970s and the 1980s and facilitated by the policies of President Ronald Reagan in the United States and Prime Minister Margaret Thatcher in the United Kingdom;

(c) In the mid-1980s, the beginning of a new movement dominated by investment and technology flows, the agent of which was the transnational corporation.

25. The implications of the third wave were only beginning to be understood. To understand them, it was necessary to look at technology flows, the diffusion of research and development and the explosion of strategic alliances based on technology cooperation, which was even more concentrated in the triad

than foreign direct investment: 97 per cent of strategic alliances were in the triad. What that trend implied was a change in the nature of competition, not just among firms but also among systems. The ability to compete depended on the relationship between the firm and its environment, and that was taking the form of three dominant models: those of Japan, Europe and the United States. The differences among those models gave rise to a kind of friction, which the expert referred to as "system friction". The struggle for market share was a struggle for high technology. Those high-technology sectors depended on the system they operated in; therefore, it was now the systems that were competing, not merely the firms.

26. Another important trend in the world of transnationals was the decline of the United States. The first wave of transnational corporations was 99 per cent American. Currently, there were other players on the scene. Moreover, there was asymmetry in the triad. It existed in trade, with different import propensities of the triad members causing friction, but the most striking asymmetry was in foreign direct investment, in which the most glaring imbalance existed in the case of foreign direct investment inflows to Japan.

27. There appeared to be a regionalization of foreign direct investment. In Europe, it was brought about by the 1992 European Community programme, in Japan by the yen shock and a strategic move of Japanese transnational corporations outwards, which also included a degree of concentration in Asia and in North America, with the United States/Canada and United States/Mexico relationships creating powerful investment linkages in the region.

28. The United States was no longer a multilateralist. It now followed a three-track policy in trade and investment involving bilateralism (i.e., its relationships with Canada and with Mexico); unilateralism (i.e., its 301 policies and Strategic Impediments Initiative) and multilateralism (its GATT activities).

29. Until the present time, trade liberalization had been a force for convergence. There was convergence of growth, of policies and of technological capacities. The major reason for that convergence was the hegemony of the United States and the multilateral system. The question was whether current trends were a force for convergence or divergence in the world economy. Now there was a triad and no hegemon, a danger to the multilateral system and a new competitiveness paradigm. They might aggravate divergence among world economies.

30. Mr. Chakufka Chihana noted that the report of the Secretary-General on recent developments was rightly focused on the emergence of the triad as a dominant factor in global investment relationships. The declining share of developing countries in world foreign direct investment inflows was likely to be further aggravated by the regionalization policies pursued by the triad members as well as the corporate strategies of transnational corporations, most of which were located in the triad. The policy changes in developing countries were no longer sufficient to attract transnational corporations. Foreign direct investment was determined by a host of factors many of which were beyond the control of developing countries. Moreover, they had to compete among themselves for foreign direct investment inflows. One policy response that developing countries should pursue was to have their own

regional arrangements. Most of the existing arrangements had not functioned effectively because of the lack of adequate political support. Such regional arrangements among developing countries should not be intended as a way to confront similar arrangements among developed countries, but as a means to enhance their own economic security. Moreover, developing countries should make every effort to ensure both political and economic stability.

31. At the end of the presentations, the expert advisers answered questions raised by delegations.

Action taken by the Commission

32. The Commission took note of the report of the Secretary-General on recent developments related to transnational corporations and international economic relations (E/C.10/1991/2) and commended the report for its analytical quality and choice of topical issues, which were helpful in facilitating policy-oriented discussions. It requested the Secretariat to continue its work on the subject in the light of the comments and suggestions made by delegations and to submit to the Commission at its eighteenth session reports dealing with trends in foreign direct investment and the role of transnational corporations in world development.

Recommendations of the Commission on Transnational Corporations at its seventeenth session and its contribution to the preparations for the United Nations Conference on Environment and Development

33. At the 13th meeting, on 18 April, the representative of Ghana, on behalf of the States Members of the United Nations that are members of the Group of 77, introduced a draft resolution (E/C.10/1991/L.6) entitled "Recommendations of the Commission on Transnational Corporations at its seventeenth session and its contribution to the preparatory process of the United Nations Conference on Environment and Development", which read as follows:

"The Economic and Social Council,

"A

"1. Takes note with appreciation of the reports of the Secretary-General on recent developments related to transnational corporations and international economic relations (E/C.10/1991/2), the role of transnational corporations in services, including transnational banks (E/C.10/1991/4, E/C.10/1991/5 and E/C.10/1991/6), ongoing and future research (E/C.10/1991/7), strengthening the negotiating capacity of developing countries in their dealings with transnational corporations (E/C.10/1991/13), comprehensive information systems (E/C.10/1991/14), and the activities of the United Nations Centre on Transnational Corporations (E/C.10/1991/15);

"2. Requests the Secretary General to prepare a comprehensive annual report analysing the latest trends in foreign direct investments and their impact on developing countries, which would include, inter alia:

"(a) Ways of helping developing countries to attract and benefit from foreign direct investments for their growth and development;

"(b) Assessment of the role of transnational corporations in regional and subregional integration processes among developing countries;

"(c) The contribution of transnational corporations in complementing domestic investment in developing countries, particularly in the least developed countries, with a view to the eradication of poverty, employment generation, human resources development, infrastructure building and, in general, enhancement of the quality of lives of people;

"(d) Recent trends in transnational corporation activities in relation to international trade, technology sharing with developing countries, and financial flows, particularly in the solution of external debt problems;

"(e) Recommendations to encourage developed countries to adopt policies that may give incentives for transnational corporations to invest in developing countries;

"(f) The role of transnational corporations in services;

"(g) The general impact on availability of resources for developing countries of current flows of foreign direct investment towards the economies of Eastern Europe, in the short and medium terms;

"3. Requests the Secretary-General to prepare an in-depth report on the efforts of the home countries of transnational banks, in formulating and implementing policies, regulations and measures, to facilitate the reduction of external debt and service of developing countries, taking into account the various proposals made by developing and developed countries with a view to finding a durable solution to the debt problem;

"4. Requests the United Nations Centre on Transnational Corporations to include in its technical cooperation activities, the promotion of interregional, intraregional and subregional economic integration, including the possibilities and potentialities of strengthening cooperation among developing countries through the transfer of technology developed by the national corporations from those countries;

"5. Stresses the importance of ensuring that the technical cooperation activities of the United Nations Centre on Transnational Corporations will benefit developing countries on an equal basis, and requests it to continue its efforts to develop its programme of support for cooperative activities of small and medium-sized enterprises in developing countries, as well as programmes for training and advisory projects directed to enhancing the capacities of developing countries to protect their interests and properly benefit from the activities of transnational corporations and joint venture schemes; and it further requests an evaluation report on this subject to be submitted to the Commission at its eighteenth session;

"6. Requests the Secretary-General to establish a fund, financed by voluntary contributions from transnational corporations to provide financial resources for, inter alia, environmental projects in the developing countries;

"7. Recognizes the need for the United Nations Centre on Transnational Corporations to diversify its funding modalities and research activities, and to this end, requests the Secretary-General to mobilize resources from various sources, including Governments and non-governmental organizations, and to inform the Commission at its eighteenth session;

"B

"8. Takes note with appreciation of the reports of the Secretary-General on transnational corporations and issues relating to the environment (E/C.10/1991/3 and Add.1) and requests the Secretary General to transmit them to the Secretary-General of the United Nations Conference for Environment and Development together with the views expressed by the members of the Commission at its seventeenth session with a view to making them available for consideration by the Preparatory Committee for the Conference at its third session;

"9. Recommends that starting at its third session the Preparatory Committee for the Conference should consider, inter alia, the following issues:

"(a) Specific responsibilities of transnational corporations for sustainable development management during the 1990s and beyond, encompassing the following features:

"(i) An increase in the level of commitment of transnational corporations to environmental protection in all countries;

"(ii) The positive role that transnational corporations can play in the protection of the environment through an increase of investment in and generation of environmentally benign technologies, processes and products;

"(iii) Compliance by transnational corporations with internationally agreed environmental conventions, standards and guidelines;

"(iv) a. Expansion of research and development by transnational corporations and their affiliates on environmentally sound technologies;

b. Assured access by affiliates to environmentally sound technologies and information thereon without supplemental internal charges;

c. Access by host country firms to environmentally sound technologies used by the affiliates of transnational corporations in developing countries;

"(v) Maintenance by transnational corporations and their affiliates of consistent environmental, health and safety standards for products, processes and services, in order to ensure equivalent levels of safety for all workers, communities and consumers;

"(b) Submission by transnational corporations, as a component of the international review of environmental issues since the Stockholm Conference, of reports on the state of the environment and development, based on the activities of their firms and/or their trade associations;

"(c) Rigorous implementation of the 'polluter pays' principle for transnational corporations and their affiliates, containing at a minimum the following obligations:

"(i) Prevention of any potential environmental damage that could arise from their activities, the cost of such prevention to be regarded as normal business cost;

"(ii) Liability of the enterprise concerned to repair the damage wherever it occurs, including its ensuing negative after-effects;

"(iii) Payment of appropriate compensation by the enterprise where such damage is not repaired to the full satisfaction of the affected country or countries;

"(d) Acceptance of full liability by transnational corporations for any damage to life and property resulting from its activities or that of its affiliates and prompt payment of full and adequate compensation where such damage occurs;

"(e) Establishment of internationally agreed standards and instruments aimed at the development of environmental management policies and programmes by transnational corporations, and at ensuring that the degree of safety of new installations employing transferred technology should not represent an additional burden for the economies of the developing countries nor constitute new barriers for access to and transfer of technology and, in all cases, should take into account the special needs of these countries;

"10. Requests the Executive Director of the United Nations Centre on Transnational Corporations to transmit the findings of the research project on 'Transfer of environmentally sound technologies to developing countries on favourable terms' and the prototype financial statements that would enable corporations to report their income and profits on a sustainable basis to the Secretary-General of the United Nations Conference on Environment and Development before the third session of the Preparatory Committee of the Conference;

"11. Requests the Secretary-General to transmit part B of the present resolution to the Secretary-General of the Conference before the third session of the Preparatory Committee, as the substantive contribution of the Commission to the work of the Preparatory Committee."

34. At the 14th meeting, on 19 April, the Vice-Chairman of the Commission, Mr. Guerrero (Philippines), reported on the informal consultations being held on the draft resolution.

35. At its 15th meeting, on 7 May, the Commission had before it a revised draft resolution (E/C.10/1991/L.6/Rev.1), submitted by the representative of Ghana on behalf of the States Members of the United Nations that are members of the Group of 77, which read as follows:

"The Economic and Social Council

"A

"1. Takes note of the reports of the Secretary-General on recent developments related to transnational corporations and international economic relations (E/C.10/1991/2), the role of transnational corporations in services, including transnational banks (E/C.10/1991/4, E/C.10/1991/5 and E/C.10/1991/6), ongoing and future research (E/C.10/1991/7), strengthening the negotiating capacity of developing countries in their dealings with transnational corporations (E/C.10/1991/13), the comprehensive information system (E/C.10/1991/14), and the activities of the United Nations Centre on Transnational Corporations (E/C.10/1991/15);

"2. Requests the Secretary-General to prepare for the eighteenth session of the Commission on Transnational Corporations a consolidated report analysing the latest trends in foreign direct investments in the world economy, in particular, their impact on developing countries, which would include, inter alia:

"(a) Ways of enhancing the benefit to developing countries of foreign direct investments;

"(b) Assessment of the role of transnational corporations in regional and subregional integration processes among developing countries;

"(c) The contribution of transnational corporations in complementing domestic investment in developing countries, particularly in the least developed countries, with a view to the eradication of poverty, employment generation, human resources development, infrastructure building and, in general, the enhanced quality of life of peoples;

"(d) The recent trends in transnational corporation activities in relation to international trade, transfer of technology to developing countries, financial flows, and external debt;

"(e) Recommendations to encourage developed countries to adopt policies that may give incentives to transnational corporations to invest in developing countries;

"(f) The role of transnational corporations in services;

"(g) The general impact on availability of resources for developing countries of current flows of foreign direct investment towards the economies of Eastern Europe, in the short and medium terms;

"3. Also requests the Secretary-General to prepare a report on the efforts of the home countries of transnational banks to facilitate the reduction of external debt and service of developing countries, taking into account the various proposals made by developing and developed countries with a view to finding a durable solution to the debt problem;

"4. Requests the Centre to include in its technical cooperation activities the promotion of interregional, intraregional and subregional economic integration, including the possibilities and potentialities of strengthening cooperation among developing countries through the transfer of technology developed by national corporations from those countries;

"5. Stresses the importance of ensuring that the technical cooperation activities of the Centre will benefit developing countries on an equal basis and requests the Centre to continue its efforts to develop its programme of support for cooperative activities of small and medium-sized enterprises in developing countries, as well as training programmes and advisory projects directed towards enhancing the capacities of developing countries to protect their interests and properly benefit from the activities of transnational corporations and joint venture schemes, and requests an evaluation report on this subject to be submitted to the Commission at its eighteenth session;

"6. Requests the Secretary-General to consider the feasibility of establishing a fund for voluntary contributions, financial or in kind, from transnational corporations, as well as other ways of mobilizing such contributions for the purpose of protecting and enhancing the environment;

"7. Recognizes the need for the Centre to diversify the sources of funding for research and technical cooperation activities and, to this end, invites donors to contribute to the Centre's trust fund for technical cooperation, and requests the Secretary-General to seek to mobilize resources from various sources, including non-governmental organizations, and to report to the Commission, at its eighteenth session;

"B

"8. Takes note of the reports of the Secretary-General on transnational corporations and issues relating to the environment (E/C.10/1991/3 and Add.1) and requests the Secretary-General to transmit those reports to the Secretary-General of the United Nations Conference on Environment and Development together with the views expressed by members of the Commission at its seventeenth session with a view to making both reports and views available for consideration by the Preparatory Committee for the Conference at its third session;

"9. Reaffirms that the following issues, inter alia, will have to be properly dealt with in order to encourage and mobilize the cooperation of transnational corporations for the management of the environment to ensure its protection and enhancement in all countries, in accordance with General Assembly resolution 44/228 of 22 December 1989:

"(a) Specific responsibilities of large industrial enterprises, including transnational corporations, for sustainable development

management during the 1990s and beyond, encompassing the following features:

"(i) The commitment of transnational corporations to environmental protection in all countries;

"(ii) The positive role that transnational corporations can play in the protection of the environment, inter alia, through the improved management and regulation of industrial processes and investment in and generation of environmentally benign technologies and processes;

"(iii) Observance by transnational corporations of internationally agreed environmental standards and guidelines;

"(iv) Research and development by transnational corporations and their affiliates in the area of environmentally sound technologies;

"(v) Intra-firm access to environmentally sound technologies and to information thereon and cooperation between transnational corporations and host country firms in the use of environmentally sound technologies, in particular the developing countries;

"(vi) Application of corporate world-wide environment and development policies consistent with the laws and regulations of host Governments;

"(vii) Maintenance by transnational corporations and their affiliates of consistent and higher environmental, health and safety standards for products, processes and services, in order to reach equivalent levels of safety for all workers, communities and consumers;

"(viii) Environment and development reporting by transnational corporations;

"(ix) Implementation of the 'polluter pays' principle, preventive action at the source, a precautionary approach to environment and development issues, and determination of the liability of transnational corporations;

"(b) Liability of transnational corporations for any damage to life and property resulting from their own activities or the activities of their affiliates and prompt payment of full and adequate compensation where such damage occurs;

"(c) Establishment of internationally agreed standards and guidelines aimed at the development by transnational corporations of environmental management policies and programmes, as well as the further development of criteria for environmental management, to ensure that the degree of safety required in new installations employing transferred technology should not create an additional burden for the economies of

developing countries or new barriers to access to and transfer of technology but should, in all cases, take into account the special needs of those countries;

"(d) Policies of host Governments in providing an appropriate framework for contributions by transnational corporations to sustainable development;

"10. Recommends that a resumed session of the Commission be held for two days in January 1992 in order to consider operational principles and proposals for action aimed at the encouragement and mobilization of the cooperation of transnational corporations for the management of the environment to ensure its protection and enhancement in all countries;

"11. Requests the Executive Director of the United Nations Centre on Transnational Corporations to prepare drafts of operational principles and proposals for action based on the views expressed by Governments during the seventeenth session of the Commission on Transnational Corporations, taking into account the views expressed by the Preparatory Committee of the United Nations Conference on Environment and Development at its third session and after extensive consultations with transnational corporations from all regions of the world;

"12. Also requests the Executive Director of the Centre to transmit the findings of the research project on 'Transfer of environmentally sound technologies to developing countries on favourable terms' and the prototype financial statements that would enable corporations to report their income and profits on a sustainable basis to the Secretary-General of the United Nations Conference on Environment and Development before the third session of the Preparatory Committee of the Conference;

"13. Requests the President of the Economic and Social Council to transmit part B of the present resolution to the Chairman of the Preparatory Committee of the United Nations Conference on Environment and Development as the substantive contribution of the Commission to the work of the Preparatory Committee at its third session."

36. At the same meeting, the Vice-Chairman of the Commission, Mr. Guerrero (Philippines) made a statement.

37. At the 16th meeting, on 15 May, the Vice-Chairman of the Commission, Mr. Guerrero (Philippines) introduced a draft resolution (E/C.10/1991/L.9) entitled "Recommendations of the Commission on Transnational Corporations at its seventeenth session and its contribution to the preparatory process of the United Nations Conference on Environment and Development", which was submitted by him on the basis of informal consultations held on draft resolution E/C.10/1991/L.6/Rev.1. In the course of his introduction, the Vice-Chairman orally revised the draft resolution as follows:

(a) In operative paragraph 9, the word "large" was inserted between the words "mobilize" and "industrial";

(b) In operative paragraph 9 (d), the words "The positive role played by increased research" were replaced by the words "The positive effect of the

increase in research" and the word "activities" after the word "development" was deleted;

(c) In operative paragraph 9 (i), the words "as well as restoration of damage" were replaced by the words "as well as the question of redressing damage thereto";

(d) In operative paragraph 10, the words "action-oriented and practicable" were inserted before the words "recommendations";

(e) Operative paragraph 11, which read:

"Decides to consider at its second regular session of 1991 ways in which the recommendations may best be brought to the attention of the Preparatory Committee in good time for its fourth session, taking into account any proposals of the Secretary-General",

was replaced by the following paragraphs:

"Decides that the eighteenth session of the Commission on Transnational Corporations should be held in January or February 1992 to permit, inter alia, consideration of the recommendations made by the Executive Director and to arrange for their transmittal to the Preparatory Committee for the United Nations Conference on Environment and Development at its fourth session;

"Decides further that, in the event that the eighteenth session of the Commission cannot be held in January or February 1992, the best way should be found of bringing to the attention of the Preparatory Committee at its fourth session the recommendations of the Executive Director and the views expressed thereon by the Commission, taking into account any proposals of the Secretary-General of the United Nations and not excluding the possibility of resuming the seventeenth session of the Commission for two days".

38. At the same meeting, the Commission adopted draft resolution E/C.10/1991/L.9, as orally revised (see chap. I, sect. A, draft resolution II).

39. After the draft resolution was adopted, statements were made by the representatives of Japan, the United States of America, the United Kingdom of Great Britain and Northern Ireland and Ghana (on behalf of the States Members of the United Nations that are members of the Group of 77).

Chapter III

TRANSNATIONAL CORPORATIONS AND ISSUES RELATING TO THE ENVIRONMENT, INCLUDING THE CONTRIBUTION OF THE COMMISSION AND THE UNITED NATIONS CENTRE ON TRANSNATIONAL CORPORATIONS TO THE WORK OF THE PREPARATORY COMMITTEE FOR THE UNITED NATIONS CONFERENCE ON ENVIRONMENT AND DEVELOPMENT

40. The Commission considered item 4 of its agenda at its 5th, 7th, 8th, 10th and 13th to 16th meetings, on 12, 15 and 16 April and 7 and 15 May 1991. It had before it the reports of the Secretary-General on the contribution of the Commission and the United Nations Centre on Transnational Corporations to the work of the Preparatory Committee for the United Nations Conference on Environment and Development (E/C.10/1991/3) and on transnational corporations and issues relating to the environment (E/C.10/1991/3/Add.1).

ENVIRONMENT

41. In introducing the item, the Executive Director of the United Nations Centre on Transnational Corporations outlined the five main themes contained in the report of the Secretary-General (E/C.10/1991/3). He commended the Commission for the leading role it had been playing in defining the specific responsibilities of transnational corporations in the preparatory process for the United Nations Conference on Environment and Development and in adopting the Criteria for Sustainable Development Management, which had been cited widely. He invited the Commission to envision its role after the United Nations Conference on Environment and Development in 1992 and the early twenty-first century, including defining the future main issues of concern regarding transnational corporations and the environment. He expressed the hope that the Commission would continue its leadership role in formulating strategies for the participation of transnational corporations in the 1992 Conference and provide a positive impact on the preparatory process for the Conference.

42. Delegations praised the Executive Director on the analysis contained in the report prepared by the Secretariat. The report was considered to be useful as a basis for the Commission's contribution to the Conference. The report demonstrated the importance of transnational corporations in relation to environment and development and proposed concrete ideas for mobilizing and encouraging transnational corporations in that regard. Delegations encouraged the Centre to actively participate in the preparatory process for the Conference in cooperation with other United Nations bodies. Some delegations cautioned that the proposed work by the Centre should only be carried out in areas in which the Centre was competent in relation to other parts of the United Nations system.

43. Delegations stated that transnational corporations should participate actively in international economic cooperation with respect to environmental preservation as they had a major role in research, development and dissemination of environmentally sound technologies. They should assume responsibility and cooperate in developing the right technologies for environmentally sound development. Several delegations noted that some

technologies had caused environmental degradation and that transnational corporations had special responsibilities in that regard. Delegations appealed to transnational corporations to stop activities that degraded the environment and to provide technologies and resources to solve environmental problems in developing countries. One delegation expressed the view that transnational corporations should publish information on the cost of measures for environmental protection and conduct environmental audits of their activities in developing countries. Another delegation noted with interest a proposal to adopt a code of conduct for the environment and stated that environmental concerns were already included in the draft code of conduct negotiated a number of years ago.

44. A number of delegations noted that environmental costs should be borne by those responsible for creating them. The degree of commitment to correcting environmental problems must be relative to the degree to which the activity of each actor has negatively affected the ecological balance. Several delegations mentioned the many economic, social and environmental problems confronting most developing countries. Some stated that many proposals for resolving those problems were insufficient as developing countries needed resources to resolve the problems. Others stated that they were encouraged to hear that transnational corporations were developing international policies to solve environmental problems. Many delegations concluded that transnational corporations could contribute significantly to sustainable development and were well positioned to play a leading role, owing in part to their financial flexibility and global management policies. Some delegations stressed the importance of the role of Governments in encouraging transnational corporations to take adequate environmental protection measures.

45. Delegations suggested ways to incorporate the themes expressed in the interim report for inclusion in the contribution of the Commission to the preparatory process for the 1992 United Nations Conference on Environment and Development, particularly in the Earth Charter and Agenda 21. Several delegations suggested the development of principles that could apply, particularly in the absence of environmental protection regulations in developing countries. Others mentioned principles related to the responsibilities of transnational corporations when adherence to international environmental law was uneven. Some delegations suggested ways that the Criteria for Sustainable Development Management could contribute to the Conference process. Studies of transnational corporations and climate change, and disclosure of information on risk were also mentioned in that regard.

46. With regard to the theme of international environmental law, some delegations noted that transnational corporations should not only try to apply the minimum agreed norms but should also go beyond the minimum, as some already were doing in their international policies. Several delegations expressed the view that environmental standards required a mutual respect between transnational corporations and host countries.

47. Delegations expressed satisfaction with the progress of the work on the project examining various options and mechanisms to transfer environmentally sound technologies to developing countries. Questions were raised on the proposal on leasable emission permits and on coordination with the United Nations Industrial Development Organization (UNIDO) and other United Nations organizations. Other delegations expressed the need to further explore issues related to patents and intellectual property rights.

48. Several delegations expressed satisfaction with the progress of the survey of international environmental management policies and innovative practices of transnational corporations.

49. A number of delegations asked that the Centre continue to advise Governments of developing countries on the commercialization of natural resources and the negotiation of contracts and agreements with transnational corporations that had activities in areas that affect the environment.

50. Many delegations expressed concern that the proposed fund to be financed by transnational corporations to support environmental projects in developing countries would be compromised if financial contributions were inadequate. They expressed the hope that work in that area would continue as developing countries lacked financial resources to address environmental problems. Some delegations expressed concern that the proposed fund might duplicate environmental funds administered by other international organizations and suggested that transnational corporations might also contribute technology.

51. A few delegations noted the importance of environmental accounting, noting in particular the need to identify risks and liability issues.

52. Delegations noted that the Centre was coordinating with the secretariat of the Conference, in particular in relation to the work on the transfer of environmentally sound technologies. Several delegations stressed the need for overall coordination with other bodies of the United Nations system, such as the United Nations Environment Programme (UNEP), on specific questions.

53. In conclusion, the Executive Director described ways in which the Centre was coordinating with other bodies. One example was the Centre's close working relationship with the Organisation for Economic Cooperation and Development in developing proposals on the environmental responsibilities of transnational corporations. He discussed the results of the feasibility study on a voluntary fund for transnational corporations to assist developing countries in environmental protection and explained the difficulties with the idea. None the less, as the proposed fund would be made up of voluntary contributions from transnational companies, he considered that it did not overlap with any funding arrangements using donations from Governments. In noting the concern expressed with respect to technical assistance, he said the Centre was trying, within its limited resources, to respond to the increasing volume of requests for technical assistance work in environmental areas.

Action taken by the Commission

54. The Commission requested, *inter alia*:

(a) That a report be submitted to the Commission at its eighteenth session, containing the final version of the comprehensive and analytical study requested by the Economic and Social Council in resolution 1990/71, section II, paragraph 1;

(b) That other projects referred to by the Council in resolution 1990/71, section II, paragraph 3 be completed;

(c) That a progress report on the ongoing projects described in the report of the Secretary-General (E/C.10/1991/3/Add.1) be submitted to the Commission at its eighteenth session;

(d) The Executive Director of the United Nations Centre on Transnational Corporations to transmit to the Secretary-General of the United Nations Conference on Environment and Development the action-oriented recommendations of the Commission regarding transnational corporations and sustainable development, along with the interim version of the comprehensive and analytical study, for consideration by the Preparatory Committee at its third session.

Chapter IV

ROLE OF TRANSNATIONAL CORPORATIONS IN SERVICES, INCLUDING TRANSNATIONAL BANKS

55. The Commission considered agenda item 5 at its 6th and 13th to 16th meetings, on 12, 18 and 19 April and 7 and 15 May 1991. It had before it the reports of the Secretary-General on transnational banks and the external indebtedness of developing countries (E/C.10/1991/4), transnational banks and debt-equity conversions (E/C.10/1991/5) and the impact of transnational service corporations on developing countries (E/C.10/1991/6).

A. Role of transnational banks

56. In introducing the sub-item, the Executive Director observed that the problem of debt remained serious for developing countries. Only five debtor countries had so far succeeded in concluding debt structuring agreements with transnational banks. Negative net transfers from highly indebted developing countries due to commercial debt continued to increase, and there had been no significant improvement in interest-to-export ratios for most debtor countries. Nevertheless, during the period 1987-1990, there was a decline in commercial bank claims for 18 indebted countries of $45 billion. To some extent, that reduction had been facilitated by regulatory changes in creditor countries. The Executive Director drew the attention of the Commission to areas for further improvement in regulatory frameworks contained in the report and, in particular, to those concerning modifications in capital guidelines, tax relief in discounted asset sales, and accounting penalties for banks which refused to participate in debt reduction agreements. He also emphasized the need for closer coordination among creditor countries in formulating regulatory changes and for a stronger political commitment on their part to debt reduction.

57. Turning to the issue of debt-equity swaps, the Executive Director pointed out that debt-equity swaps had nearly doubled to $9 billion in 1990 compared to their level in 1989. Developing debtor countries had implemented debt-equity swap programmes both as a means of debt reduction and to achieve a number of other development objectives. Among these were stimulation of foreign investment, support to programmes of privatization of State enterprises, avoidance of round-tripping and mitigation of inflationary pressures.

58. Reviewing the experience of several countries, the Executive Director observed that the cumulative effect on debt reduction due to debt-equity swaps had been relatively small in relation to the volume of debt in most countries. The experience in respect of fulfilment of other objectives was mixed. However, it had functioned as a major vehicle for foreign direct investment, though it was difficult to estimate the extent of additionality. He concluded by stating that there were inherent trade-offs in the implementation of debt-equity swap programmes which had to be structured carefully to suit a country's priorities. Moreover, debt-equity swaps could not obviate the need for implementing other means of debt reduction, including write-offs.

59. Most delegations pointed out that the problem of debt continued to pose a constraint to the growth and development of developing countries. They endorsed the view expressed in the report that there was no ground for complacency with respect to the debt owed to the transnational banks by developing countries. Huge transfers to those banks exacerbated the already precarious financial situation of developing countries. Though it marked an important step towards the solution of debt problems, the Brady plan was complex and involved protracted negotiations. It was not surprising, therefore, that the number of countries that had benefited from the plan was very limited and the volume of debt reduced was low.

60. It was observed that the success of seemingly minor regulatory changes in reducing transnational bank debt clearly showed that Governments of creditor countries were not powerless in influencing transnational bank decisions, and hence their cooperation was essential for the reduction of developing countries' debt. That underscored the need for further pursuit of regulatory changes in creditor countries in a coordinated manner in order to facilitate speedier debt reduction; developed countries had to show leadership in creating the necessary policy framework.

61. With regard to debt-equity swaps, the delegations that expressed themselves on the subject were of the view that debt-equity swaps opened a new avenue of debt reduction. However, it could not be considered to be a substitute for other measures. There were both positive and negative consequences of debt-equity swaps for countries that had implemented such programmes; those programmes thus needed to be structured carefully. Cumbersome regulations should be avoided, and suitable macroeconomic policies could help mitigate some negative consequences.

62. Two delegations expressed the view that the subject of debt did not fall within the mandate of the Centre.

63. Some delegations offered suggestions for further work by the Centre in relation to transnational banks. They included examination of the positive contribution of transnational banks to host developing countries and analysis of the interface between debt, privatization, debt-equity swaps and foreign direct investment as a package.

Action taken by the Commission

64. The Commission took note of the reports of the Secretary-General on transnational banks (E/C.10/1991/4 and E/C.10/1991/5) and requested the Centre to continue further work in the light of the discussions at the seventeenth session.

B. Role of transnational corporations in other services

65. In introducing the sub-item, the Executive Director of the Centre stated that the report focused on the impact of transnational service corporations on competition and market structure, the provision of unique services and the socio-cultural aspects of host countries. He drew attention to the emphasis being placed by developing countries on increasing the competitiveness and

efficiency of their service sectors, particularly of their infrastructure and producer services. In that connection, many developing countries were more inclined than in the past to permit transnational corporations to play a role in upgrading their service industries. The important question was whether, to what extent and how transnational corporations could contribute to greater efficiency, greater availability, improved quality or lower prices for services. That depended on many factors, including government policies concerning competition, the nature of the industry and the behaviour of transnational service corporations. Host country policies encouraging market entry by local firms and foreign investors were important if transnational corporations were to promote competition and efficiency rather than capture monopoly rents. In financial services, it would be necessary to ensure that the process of deregulation and restructuring for greater competitiveness did not conflict with basic prudential requirements for financial stability and consumer protection. In capital-intensive services, such as telecommunications, the role of transnational corporations would be to inject capital and technology rather than enhance competition, except in certain market segments of the industry. In some other services, such as accounting or engineering, transnational corporations often chose to specialize in sophisticated services in which they had a comparative advantage in terms of quality, rather than compete directly with local companies. Finally, the provision of unique services was a contribution that transnational corporation affiliates made to a majority of developing countries, because even the most restrictive of countries permitted operations of transnational corporations to provide services that, being untradable, could not otherwise be obtained. Countries wishing to use service affiliates in their competitive function would, however, have to reconsider regulations restricting transnational corporations to the provision of unique services.

66. The Executive Director also drew attention to the social and cultural influences of transnational service corporations in host developing countries and the considerations underlying government policies in that regard. Some of the obvious undesirable socio-cultural costs might be minimized by appropriate policies and actions of Governments as well as transnational corporations. In the most sensitive cases, however, Governments and societies had to determine the trade-offs between the economic benefits and socio-cultural costs of the activities of foreign service affiliates.

67. Most delegations agreed that issues relating to increasing the efficiency and competitiveness of the service sectors in both developed and developing countries were becoming increasingly important in view of the high share of the service sector in gross national product (GNP) and of the interlinkages of producer services to other sectors of the economy. Many delegations welcomed the revision of the policy objectives in selected producer services in many developing countries towards the promotion of greater availability and improved quality of services, including, among others, moving tentatively towards lifting restrictions on transnational corporations. They agreed that transnational service corporations could play a critical and beneficial role in helping build up and improve the efficiency of service industries in developing countries and that competition was the best tool for increasing the efficiency in many, though perhaps not all, service industries. One delegation noted that far more efforts were needed to increase competition in still heavily regulated and protected service sectors. Another delegation suggested that liberalization of service industries fostered competition and maximized the benefits of foreign investments.

68. Several delegations agreed that some of the impacts of transnational service corporations on the social and cultural fabric of host countries might be potentially negative. One delegation supported the conclusions of the report that trade-offs between positive and potentially negative effects were often difficult to identify and that they depended largely on the definition of what Governments and societies considered costs and benefits. While one delegation acknowledged the increasingly positive contributions of transnational service corporations to host developing countries and noted that the corporations were increasingly welcome in those countries, it pointed out at the same time that service industries in most developing countries could not yet compete on equal terms with transnational service corporations. Therefore, it suggested that international frameworks on transactions in services should include preferences for developing countries, especially in labour-intensive services. The code of conduct would be a desirable addition to any rules on trade in services, the continuing absence of which was not beneficial for the expansion of international trade in services. Developing countries should more closely monitor restrictive business practices by transnational corporations to minimize negative effects related to those practices.

69. Some delegations drew attention to the role of transnational service corporations in the transition process of their countries towards market economies. They were of the view that the lack of services in their economies hampered progress in other sectors and inflows of foreign direct investment. They agreed that transnational corporations accelerated the process of acquisition of crucial services and were, therefore, generally welcomed in countries in transition. There was, however, the awareness that transnational corporations alone could not build the service sector in those countries. Domestic effort, including education and increased investment in infrastructural services, was hence needed to close the development gap in service industries.

70. All delegations that spoke stressed the importance of the Centre's research in the area of foreign direct investment and transnational corporations in services. In particular, they emphasized the need for policy-oriented studies on the impact and implications for countries, particularly developing countries, of the liberalization of foreign direct investment and trade in services, focusing especially on ways and means of increasing the efficiency and competitiveness of infrastructure and producer services and the role of transnational corporations. In that context, they welcomed efforts aimed at closer coordination of work between the Centre and the United Nations Conference on Trade and Development (UNCTAD) and stressed that such efforts should continue, including those with other concerned agencies, such as the General Agreement on Tariffs and Trade (GATT), the World Bank and the Organisation for Economic Cooperation and Development (OECD). Other areas that warranted research were tradability of services and the role of transnational corporations in the development of the service sector in developing countries, including the establishment of international service centres and the transfer of technology in services. It was also suggested that the Centre extend its research to issues relating to the role of transnational service corporations in the countries in transition. Delegations also supported the Centre's technical assistance efforts in the area of services, with particular focus on helping developing countries and countries in transition to review their existing policy frameworks concerning foreign direct investment and transnational corporations in services.

Action taken by the Commission

71. The Commission took note of the report of the Secretary-General on the impact of transnational service corporations on developing countries (E/C.10/1991/6). It requested the Secretary-General to conduct further in-depth research and technical cooperation in the area of services, taking into account the deliberations of the Commission, and to submit a report thereon to the Commission at its eighteenth session.

Chapter V

ONGOING AND FUTURE RESEARCH

72. The Commission considered item 6 of its agenda at its 4th, 6th and 13th to 16th meetings, on 11, 12, 18 and 19 April and 7 and 15 May 1991. It had before it the report of the Secretary-General on the determinants of foreign direct investment and their policy implications (E/C.10/1991/7). Another report related to this agenda item, on the activities of the United Nations Centre on Transnational Corporations and the activities of the joint units established with the regional commissions (E/C.10/1991/15), was considered separately under agenda item 12.

73. In his introductory remarks, the Deputy Executive Director of the Centre stated that existing research on the determinants of foreign direct investment indicated that factors specific to transnational corporations were the most important in determining the size of world-wide flows of foreign direct investment, while factors specific to host countries' locations were important in determining which host countries received those flows. Empirical research indicated that economic conditions within host countries had been more important than policy changes in attracting larger inflows of foreign direct investment to developing countries. The Deputy Executive Director suggested that policy changes could provide an important precondition for attracting foreign direct investment but were not sufficient by themselves in making host locations more attractive. He stated that policies might be most effective if they were formulated to reinforce a host country's locational advantages.

74. All delegations contributing to the discussion expressed support for the Centre's research programme and noted its importance in helping host developing countries to formulate appropriate policies towards foreign direct investment. One delegation noted the growing importance of non-equity arrangements by transnational corporations and suggested that the Centre should study the conditions under which transnational corporations chose equity or non-equity forms of investment. Several delegations stressed the importance of conducting research on transnational corporations and human resources development. Several delegations pointed to the importance of research on the links between foreign direct investment and other aspects of economic performance, such as international trade, technology transfer, financial flows, debt burdens and industrial structure, including the role of small- and medium-sized transnational corporations. One delegation also suggested studies on the role of regional integration in attracting foreign direct investment and the growing impact of foreign direct investment from the newly industrializing economies.

75. Several delegations commented on the heightened competition for foreign investment among host developing countries, a competition that was becoming intense with the emergence of Eastern Europe as a potential host region. In the view of one delegation, such competition could benefit transnational corporations but would not benefit developing countries. Several delegations noted that the growing importance of technology in international production had reduced the importance of such locational advantages as labour costs and, as a result, a number of developing countries might be forced to reduce their participation in the world economy.

76. One delegation commented that its own experience with policies towards foreign direct investment corroborated the finding that policy liberalizations might be a precondition for attracting foreign direct investment but were not sufficient by themselves, and suggested that countries might frequently find themselves in a dilemma with respect to formulating policies that might be necessary for the domestic economy but might weaken the countries' ability to attract foreign capital. Another delegation emphasized the importance of recognizing that many factors, including the competitive advantages of transnational corporations, were beyond the influence of host countries, and that host countries should therefore focus on improving those factors that were under their influence.

77. In concluding the discussion, the Deputy Executive Director of the Centre took note of the many suggestions for future research put forward by delegations. He indicated that the Centre recognized the importance of further work on those issues. He stated that research to date supported the conclusion that while host developing countries could not affect all determinants of foreign direct investment, appropriate policies were a necessary precondition, and host countries should make all efforts to institute policies to attract foreign direct investment by transnational corporations.

Action taken by the Commission

78. The Commission took note of the report of the Secretary-General on the determinants of foreign direct investment and their policy implications (E/C.10/1991/7) and requested the Secretary-General to prepare another report on the Centre's ongoing and future research efforts for the next session of the Commission.

Chapter VI

WORK RELATED TO THE CODE OF CONDUCT ON TRANSNATIONAL CORPORATIONS AND OTHER INTERNATIONAL ARRANGEMENTS AND AGREEMENTS

79. The Commission considered item 7 of its agenda at its 9th and 13th to 16th meetings, on 16, 18 and 19 April and 7 and 15 May 1991. It had before it the following documents:

(a) Report of the Secretary-General on progress made in the work on the code of conduct on transnational corporations (E/C.10/1991/8 and Corr.1);

(b) Report of the Secretary-General on other international, regional and bilateral arrangements and agreements related to transnational corporations (E/C.10/1991/9).

A. Progress made in the work on the code of conduct on transnational corporations and other international arrangements and agreements

80. The Executive Director of the United Nations Centre on Transnational Corporations gave a brief account of the progress made towards the formulation of the code of conduct since the sixteenth session of the Commission. He pointed out that, in an effort to facilitate consensus on the outstanding issues in the code, the Chairman of the special session had put together a text of the draft code which reflected the views and proposals presented by delegations during consultations. The text, contained in document E/1990/94, had been submitted to the General Assembly at its forty-fifth session, through the Economic and Social Council, for appropriate action. The Assembly was of the view that the code needed to be discussed further before it could be adopted by consensus. The Assembly therefore designated the President of the forty-fifth session, with the support of the Secretary-General, to hold another round of consultations aimed at finalizing the draft code, and to submit the draft to the Assembly at its forty-sixth session for adoption. In that respect, the Executive Director drew the attention of delegations to a note prepared by the President of the General Assembly which contained a number of suggestions on how to approach the next round of consultations.

81. In reviewing the negotiating process over the years, the Executive Director said that the positive results achieved so far in the negotiations had outweighed the difficulties encountered. Those difficulties had to be placed in the proper perspective, given all the constraints under which the negotiations had been conducted. Among them were the growth rate of foreign direct investment, both in absolute and in relative terms, and the fundamental changes in the investment climate in most developing countries, as well as in Central and Eastern European countries, which had opened new vistas for the further expansion of foreign direct investment. All those developments had reinforced the case for a multilateral instrument on foreign direct investment.

82. The Executive Director stated that the code of conduct represented a major international endeavour to establish a balanced, comprehensive and

multilateral framework that spelt out the ground rules for relations between Governments and transnational corporations. The code constituted the only effort of its kind and was indeed long overdue. The Executive Director concluded that while the global economic context for the negotiations on the code had certainly changed considerably during the course of the negotiations, those changes had also been reflected in the code, which had been modified to reflect recent State practices. Despite all those developments, relations between transnational corporations and Governments were still subject to a degree of uncertainty and unpredictability. Therefore a common framework of standards of behaviour for investors and for their treatment by Governments was needed as much at the present time as it had been 15 years before.

83. Delegations that spoke on the item expessed support for the completion of the code and welcomed the new opportunity provided by the General Assembly in its resolution 45/186 to hold a further round of intensive consultations aimed at achieving that end. The resolution reflected the interest of Governments in pursuing the negotiations. Delegations also expressed the view that the code could only be finalized if there were sufficient political will.

84. Some delegations noted that while there had been considerable improvement in the investment climate in most developing and other countries, there were still potential sources of conflict in relations between investor and host country. Those problems could be resolved only by establishing international standards in the area of foreign direct investment that took into account the legitimate concerns of all parties to an investment relationship.

85. One delegation said that the text of the General Assembly resolution provided all the elements for the continuation of the negotiations on the draft code. While there were still difficulties to be overcome, progress was possible, if the negotiations were approached in a constructive spirit. With respect to the effectiveness of the code, the delegation noted that once adopted, the code would take on a life of its own. Indeed, some provisions could become part of international law, while others might need further development. That would be determined in the follow-up process.

86. Another delegation stressed that international standards were needed to enhance the contribution of transnational corporations to the development of host countries. The dramatic changes that had occurred in investment relations in recent years did not obviate the need for the code and could only facilitate agreement on some of the outstanding issues. The same delegation observed that the note by the President of the General Assembly contained some promising proposals for resolving outstanding issues. It acknowledged the efforts made by the Chairman of the special session of the Commission to put together a compromise text.

87. One delegation expressed the view that the tone and approach of the draft code belonged to an era when many host Governments mistrusted transnational corporations and sought to limit foreign investment flows. However, the delegation said it was prepared to support a balanced, voluntary draft code that could be adopted by consensus.

88. The representative of the World Federation of Trade Unions expressed concern that the code had not yet been adopted. Transnational corporations continued to dominate the world economy, while many developing countries were

experiencing a recession. The positive contribution of transnational corporations to development was still to be seen, and there were doubts that those corporations would voluntarily try to correct imbalances. However, many Governments of the home countries of transnational corporations did not seem to recognize those facts.

89. The representative of the International Confederation of Free Trade Unions stressed the important role non-governmental organizations could play in the implementation procedure of the code. Without an adequate procedure, the adoption of the code would have no sense. He confirmed the conclusions reached at a recent conference that, in the experience of trade unions, transnational corporations did not observe the kind of international standards proposed in the code. The conclusions of that conference emphasized the need to adopt the code. The code should be universal, balanced and voluntary. The latest draft met all those requirements and therefore it should be adopted. He stressed the importance of the provisions on disclosure of information in the code.

90. The representative of the International Labour Organisation (ILO) referred to the linkage between the code and the Tripartite Declaration of Principles concerning Multinational Enterprises and Public Policy, adopted in 1977 by the ILO Governing Body. He stressed that the ILO instrument involved the active participation not only of Governments but also of trade unions and business organizations.

91. One expert adviser expressed concern that after many years of trying to improve investment relations, many people still did not understand what the code was trying to achieve. In his view, it was important to bear in mind that the code was to be voluntary, universal and balanced. Other aspects were not so important and could be improved with time. To be effective, the code should be acceptable to the business community. It was therefore important to pay attention to the views of transnational corporations in the negotiations on the code.

92. In his concluding remarks, the Executive Director of the Centre said that delegations had spoken in favour of continuing the discussions on the code. In his view, the proposals made by the President of the General Assembly reflected the spirit of the code. He stressed that the adoption of the code remained a priority and hoped that progress could be made.

Action taken by the Commission

93. The Commission took note of the report of the Secretary-General on progress made in the work on the code of conduct on transnational corporations (E/C.10/1991/8 and Corr.1).

B. Other international, regional and bilateral arrangements and agreements related to transnational corporations

94. The Executive Director of the Centre introduced the report of the Secretary-General on other international, regional and bilateral arrangements and agreements related to transnational corporations. He said that the report

focused on bilateral treaties for the promotion and protection of foreign investments and that it highlighted the main findings of the technical study on which it had been based. The number of bilateral investment treaties had been increasing in recent years and further countries, notably countries in Latin America and Central and Eastern Europe, had joined in the practice. Such developments had come about in response to the growing importance given to attracting investment flows in those regions and to the absence of a multilateral regime governing those flows. He noted that the more recent treaties showed a marked similarity. Earlier treaties could be improved, particularly by providing concrete measures for the promotion of investment flows to the capital-importing country partner.

95. One delegation noted that the approach to bilateral investment treaties taken in the report did not go far enough in the consideration of role of the market forces in determining investment flows.

96. The representative of the International Organisation of Employers said that bilateral investment treaties were important for creating a stable investment climate. Without the guarantees provided in those treaties, investors would not even consider investing in many countries. He could not agree with the suggestion that the code would be a substitute for those treaties. In his view, bilateral investment treaties would be needed even if the code was adopted. He rejected the suggestion that bilateral investment treaties could incorporate some of the standards of behaviour proposed in the code because, among other reasons, those standards were voluntary, whereas bilateral treaties were legally binding.

Action taken by the Commission

97. The Commission took note of the report of the Secretary-General on other international, regional and bilateral arrangements and agreements related to transnational corporations (E/C.10/1991/9) and requested the Centre to continue its work on that area, taking into account the views expressed by the Commission.

Corrupt practices in international business transactions

98. At the 13th meeting, on 18 April, the representative of the United States of America introduced a draft resolution (E/C.10/1991/L.5) entitled "Corrupt practices in international business transactions", which read as follows:

"The Commission on Transnational Corporations,

"Recalling General Assembly resolution 3514 (XXX) of 15 December 1975, in which the Assembly, inter alia, condemned all corrupt practices, including bribery, by transnational corporations and other corporations, their intermediaries and others involved, in violation of the laws and regulations of host countries, reaffirmed the right of any State to adopt legislation and to investigate and take appropriate legal action, in accordance with its national laws and regulations, for such corrupt practices, and called upon all Governments to cooperate to prevent corrupt practices, including bribery,

"Recalling also Economic and Social Council resolution 1913 (LVII) of 5 December 1974, by which the Council decided to establish the Commission on Transnational Corporations to act, inter alia, to secure effective international arrangements within its mandate,

"Recalling further the Declaration on International Economic Cooperation, in particular the Revitalization of Economic Growth and Development of the Developing Countries, adopted by the General Assembly at its eighteenth special session (General Assembly resolution S-18/3, annex) and the International Development Strategy for the Fourth United Nations Development Decade (General Assembly resolution 45/199, annex),

"Convinced that a stable and predictable environment for international business transactions is essential for the mobilization of investment, finance, technology, skills and other important resources across national borders, to promote economic and social development world wide, especially that of countries seeking to revitalize or develop their economies,

"Recognizing that the prevention and avoidance of corrupt practices could be an important element in an improved international business environment, and could also enhance fairness and competitiveness in transnational business transactions for the benefit also of the general public,

"Bearing in mind the substantial progress made by the Committee on an International Agreement on Illicit Payments in the formulation of an agreement (see 1979/104),

"Considering that renewed efforts towards the conclusion of such an agreement would greatly facilitate the establishment of international standards for the prevention and avoidance of corrupt practices and would help strengthen international cooperation in that respect,

"Requests the Secretary-General to study ways and means of concluding discussions on a draft agreement on illicit payments, and to report thereon to the Economic and Social Council at its second regular session of 1991."

99. At the 14th meeting, on 19 April, the Vice-Chairman of the Commission, Mr. Holthe (Norway), reported on the informal consultations being held on the draft resolution.

100. Following a suspension of the meeting, statements were made by the Vice-Chairman of the Commission, Mr. Holthe (Norway) and by the Chairman.

101. The representative of the United States of America orally revised the draft resolution. The revisions were subsequently issued in document E/C.10/1991/L.5/Rev.1, which the delegation of Romania also joined in sponsoring. The revised draft resolution read as follows:

"The Commission on Transnational Corporations,

"Recalling General Assembly resolution 3514 (XXX) of 15 December 1975, in which the Assembly, inter alia, condemned all corrupt practices, including bribery, by transnational corporations and other corporations, their intermediaries and others involved, in violation of the laws and regulations of host countries, reaffirmed the right of any State to adopt legislation and to investigate and take appropriate legal action, in accordance with its national laws and regulations, for such corrupt practices, and called upon all Governments to cooperate to prevent corrupt practices, including bribery,

"Recalling also Economic and Social Council resolution 1913 (LVII) of 5 December 1974, by which the Council decided to establish the Commission and the Centre on Transnational Corporations to act, inter alia, to secure effective international arrangements within their mandate,

"Recalling further the Declaration on International Economic Cooperation, in particular the Revitalization of Economic Growth and Development of the Developing Countries, adopted by the General Assembly at its eighteenth special session (General Assembly resolution S-18/3, annex) and the International Development Strategy for the Fourth United Nations Development Decade (General Assembly resolution 45/199, annex),

"Convinced that a stable and predictable environment for international business transactions is essential for the mobilization of investment, finance, technology, skills and other important resources across national borders, to promote economic and social development world-wide, especially that of countries seeking to revitalize or develop their economies,

"Recognizing that the prevention and avoidance of corrupt practices could be an important element in an improved international business environment, and could also enhance fairness and competitiveness in transnational business transactions for the benefit also of the general public,

"Bearing in mind the substantial progress that has been made, for example, by the Committee on an International Agreement on Illicit Payments as of 1979, in the formulation of an international agreement on illicit payments (see E/1979/104) and that further activities are necessary for the prevention and avoidance of corrupt practices which would help strengthen international cooperation in that respect,

"Bearing in mind General Assembly resolution 45/186 of 21 December 1990 concerning the draft code of conduct on transnational corporations,

"Requests the Secretary-General to prepare a report on the status of United Nations efforts to address the issue of corrupt practices in international business transactions and to circulate it to Member States for the second regular session of the Economic and Social Council of 1991 in time for the ongoing consultations towards a final agreement on the

draft code of conduct on transnational corporations, called for by the General Assembly in resolution 45/186, as an important contribution to that process."

102. At the same meeting, the representative of the United Kingdom of Great Britain and Northern Ireland made a statement.

103. At the 15th meeting on 7 May, the Vice-Chairman of the Commission, Mr. Holthe (Norway), reported on informal consultations held on the revised draft resolution.

104. At the same meeting, statements were made by the representatives of India, Tunisia, Ghana (on behalf of the States Members of the United Nations that are members of the Group of 77) and the United States of America and by the Vice-Chairman of the Commission, Mr. Holthe (Norway).

105. At the 16th meeting, on 15 May, the Vice-Chairman of the Commission, Mr. Holthe (Norway), introduced a draft resolution (E/C.10/1991/L.8) entitled "Corrupt practices in international business transactions", which was submitted by him on the basis of informal consultations held on draft resolution E/C.10/1991/L.5/Rev.1.

106. At the same meeting, the Commission adopted draft resolution E/C.10/1991/L.8 (see chap. I, sect. C, resolution 1991/1).

Chapter VII

TRANSNATIONAL CORPORATIONS IN SOUTH AFRICA

107. The Commission considered item 8 at its 7th, 11th and 14th meetings, on 15, 17 and 19 April 1991. It had before it the following documents:

(a) Report prepared by the United Nations Centre on Transnational Corporations on transnational corporations in South Africa (E/C.10/1991/10);

(b) Report of the Secretary-General on transnational corporations with interests in South Africa (E/C.10/1991/11).

108. In introducing the item, the Executive Director of the Centre noted that the process of change in South Africa had finally begun. However, home country responsibilities remained relevant for the transition period, and international pressure was still needed. It was important to develop a menu of pressure points from which the international community could select by consensus in the appropriate United Nations body at the appropriate time. Moreover, the continuing and potential new activities of transnational corporations required international scrutiny. While most companies subscribed to the principle of corporate social responsibility, and many home countries and trade unions had established a variety of codes, those efforts needed to be critically reviewed. The Commission could help in the review process and in shaping a new code of conduct for transnational corporations in South Africa, aimed at structural change and development relevant to the needs of a united, non-racial and democratic society. In connection with the economic and development challenges that would face a future majority-led Government, he suggested that transnational corporations could help in the long term through, for example, management training and entrepreneurship development.

109. Concerning the responsibilities of the home countries of firms operating in South Africa, there was agreement among most delegations that sanctions and other restrictions had played a positive role in the support of the internal struggle and in influencing the Government of South Africa to take steps to dismantle apartheid. One delegation noted that further efforts should be taken by the international community until profound and irreversible changes had occurred. Another delegation and a representative of a trade union organization urged that the international community maintain pressure. Another delegation noted that although its Government had maintained a large number of economic sanctions on the South African regime, it had recently eased its severe visa restrictions on South Africans to allow increased contacts with both the opposition and the Government of South Africa in order to contribute to a positive process of change.

110. Another delegation, speaking on behalf of a group of States, noted that while the complete dismantling of the apartheid system by peaceful means and the establishment of a united, non-racial and democratic South Africa remained the objective of those States' policies, the decision to lift the ban on new investments by those States had been taken in order to combat unemployment and improve economic and social conditions in South Africa. That group of States was taking steps to deal with the set of measures adopted in 1986 and had intensified positive measures in favour of the victims of apartheid. That

delegation noted that reports from 241 companies from their countries with more than 91,000 black employees operating in South Africa had shown that those companies had promoted improved relations between employers and workers, had applied the principle of equal pay for equal work without regard to race and had continued to promote the training of black employees. It was added that a number of companies had further helped to encourage black businesses by awarding subcontracts or supply contracts.

111. With regard to the proposed repeal of the foundations of apartheid by the South African Government, one delegation noted that such legislation contained no mechanism for compensating dispossessed blacks. Moreover, that delegation noted that the previous year, the apartheid Government had begun denationalizing industries so as to ensure that any incoming multiracial Government would not have the levers of economic power that the present Government enjoyed. Those who had suffered under apartheid deserved to be compensated. The same delegation also noted that South African destabilization of the economies of countries members of the Southern African Development Coordination Conference (SADCC) was a factor that had impeded the efforts of SADCC to reduce trade with South Africa. Some $60 billion worth of economic assets had been destroyed in the SADCC economies as a result of South African destabilization activities.

112. With regard to affirmative action on the part of transnational corporations, one delegation noted that its Government had announced, during the recent visit of Mr. Nelson Mandela, Deputy President of the African National Congress, to its country, the inclusion of black South African workers in training schemes it sponsored. An expert adviser added that the international community had a responsibility to help the underprivileged, unskilled and illiterate population to become part of the future economy of South Africa. Local participation in economic activities could be encouraged through a relaxation of rules and regulations governing small enterprises, where most unskilled and illiterate black people would probably be employed. The involvement of blacks would initially result in the slow-down of economic growth due to construction and reconstruction, but economic growth should involve both local and international investments, reform and restructuring.

113. Delegations commended the Centre for the objectivity and factual content of the report on transnational corporations in South Africa and for the timeliness of its conclusions, which were in line with the evolving situation in South Africa. The added focus on prospective issues relating to the needs of the new South Africa was a logical extension of the Commission's consideration of the role of transnational corporations in South Africa. The international community could be expected to provide continued support to a majority-led South Africa, and the Commission and the Centre were expected to provide assistance in that regard. Several delegations stressed the importance of management training and human resource development as a long-term priority and recommended further study of the role of transnational corporations in training. One delegation expressed concern about the efforts of some transnational corporations to reinvest in South Africa and called upon the Centre to monitor those efforts.

Action taken by the Commission

114. The Commission took note of the report on transnational corporations in South Africa (E/C.10/1991/10) and the report of the Secretary-General on transnational corporations with interests in South Africa (E/C.10/1991/11).

115. The Commission requested the Centre to prepare, for its eighteenth session, a report on the activities of transnational corporations in South Africa, including an updated review of the responsibilities of home countries with respect to transnational corporations operating in South Africa, a critical review of the social responsibility programmes of such companies and any further results with respect to the feasibility study for a comprehensive training programme for black South Africans. The Commission also requested the Centre to update the list of transnational corporations with interests in South Africa, including companies that reinvested and the terms and conditions of such reinvestment.

Activities of transnational corporations in South Africa

116. At the 11th meeting, on 17 April, the observer for Algeria, 16/ on behalf of the States Members of the United Nations that are members of the Group of African States, introduced a draft resolution (E/C.10/1991/L.4) entitled "Activities of transnational corporations in South Africa", which read as follows:

"The Economic and Social Council,

"Recalling its resolution 1990/70 of 27 July 1990,

"Having examined the report of the Secretary-General (E/C.10/1991/10),

"Reaffirming the Declaration on Apartheid and its Destructive Consequences in Southern Africa adopted by the General Assembly at its sixteenth special session (General Assembly resolution S-16/1, annex), which contains guidelines on how to end apartheid through genuine negotiations,

"Mindful of its obligations towards the complete eradication of apartheid, reaffirmed in General Assembly resolution 44/244 of 17 September 1990,

"1. Reaffirms that Governments, entrepreneurs and enterprises have ethical, moral and political responsibilities to comprehensively deny sustenance to the apartheid system;

16/ In accordance with rule 72 of the rules of procedure of the Economic and Social Council.

"2. Reiterates its call upon all transnational corporations to stop immediately any operations in South Africa and all forms of trade and economic links with the racist minority regime;

"3. Further reiterates its call upon all multilateral financial and development institutions to cease immediately any kind of support or other forms of collaboration with the racist regime in South Africa;

"4. Requests the Secretary-General:

"(a) To continue the useful work of collecting and disseminating information, in close cooperation with relevant organs of the United Nations, on the activities of transnational corporations in South Africa, including the list of transnational corporations still conducting operations there;

"(b) To continue preparing studies on the level and form of operation by transnational corporations in South Africa, including their non-equity business arrangements and their involvement in particular sectors of the South African economy, and an updated study on the responsibilities of home countries with respect to the transnational corporations operating in South Africa in violation of relevant resolutions and decisions of the United Nations;

"(c) To continue investigating the possibility of those transnational corporations without equity, non-equity, trading or other links in South Africa contributing to the training of South African entrepreneurs for a non-racial democratic South Africa;

"(d) To report annually to the Commission on Transnational Corporations, the Economic and Social Council, the General Assembly and the Security Council on the implementation of the present resolution."

117. At the 14th meeting, on 19 April, the Vice-Chairman of the Commission, Mr. Negritiou (Romania), reported on the results of informal consultations held on the draft resolution.

118. At the same meeting, the observer for Algeria orally revised the draft resolution. The revisions were subsequently issued in document E/C.10/1991/L.4/Rev.1, which the delegation of Cuba also joined in sponsoring.

119. The representative of Zambia requested a vote on the revised draft resolution, which was seconded by the representative of the United Republic of Tanzania.

120. Statements on points of order were made by the representatives of the United Kingdom of Great Britain and Northern Ireland, Japan, Brazil, Uruguay, Chile, the United Republic of Tanzania, Tunisia and Brazil.

121. At the same meeting, the Commission adopted the revised draft resolution by a roll-call vote of 29 to 9, with 5 abstentions (see chap. I, sect. A, draft resolution I). The voting was as follows:

In favour: Argentina, Bangladesh, Brazil, Burundi, Chile, China, Colombia, Costa Rica, Cuba, Cyprus, Egypt, Gabon, Ghana, India, Indonesia, Iraq, Kenya, Mexico, Pakistan, Peru, Philippines, Sierra Leone, Tunisia, Union of Soviet Socialist Republics, United Republic of Tanzania, Uruguay, Zaire, Zambia, Zimbabwe.

Against: Belgium, France, Germany, Italy, Japan, Netherlands, Switzerland, United Kingdom of Great Britain and Northern Ireland, United States of America.

Abstaining: Bulgaria, Czechoslovakia, Norway, Poland, Romania.

122. After the adoption of the revised draft resolution, statements were made by the representatives of the Netherlands, Norway, the United States of America, Switzerland, Poland, Chile, Uruguay and Japan.

123. The observer for Algeria made a statement.

Chapter VIII

INTERNATIONAL STANDARDS OF ACCOUNTING AND REPORTING

124. The Commission considered agenda item 9 at its 10th and 15th meetings, on 16 April and 7 May 1991. It had before it the report of the Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting on its ninth session (E/C.10/1991/12 and Corr.1).

125. The Executive Director of the United Nations Centre on Transnational Corporations reviewed the objectives and accomplishments of the Group in order to assist the Commission in deciding on the renewal of the Group's mandate. He said that the Group had produced many useful technical reports in the area of harmonization of accounting standards and was engaged in a number of technical cooperation projects, which were having positive effects on countries in the process of standard-setting. Thus, the Group continued to play an important role. He therefore recommended that the Commission adopt the two draft decisions contained in the Group's report, one of which contained a draft resolution for adoption by the Economic and Social Council extending the duration of the Group's mandate to five years.

126. Delegations expressed the view that the activities of the Group made a positive contribution to international cooperation. They expressed appreciation for the results achieved by the Group at its ninth session. Some of its topics were of practical interest to countries in the process of transition to a market economy. Further, those topics were useful for the establishment of joint ventures and the creation of accounting organizations in the case of privatization of some properties, including evaluation and future stock market speculations. Those activities required the training of financial specialists; for that reason the Centre was providing assistance to countries on request. Delegations supported the extension of the mandate of the Group from three to five years, with alternating sessions to discuss general and specific subjects.

127. One delegation stressed that the disclosure of information and comparability of financial statements was useful for its country and facilitated international exchange and an opening towards the business community. It praised the Group for being the only intergovernmental forum on accounting with strong participation from developing countries. The delegation made several proposals concerning the future activities of the Group, including discussion of accounting standards of transnational corporations, alternating sessions to discuss general and specific subjects every March in New York, the length of each session to be no longer than seven or eight days, the possibility of making use of extrabudgetary resources for improving the participation of developing countries and the renewal of the mandate of the Group.

128. Another delegation stated that its country subscribed to the general goal of the Group and stressed the importance of accounting for his country, which was in transition to a market economy within a short time period. The adoption of a legal framework was not sufficient, and there was need for scope for economic action adapted to the changes.

129. Another delegation expressed satisfaction with the geographical balance and the quality of attendance at the present session. It recommended that the Group focus on the participation of developing countries and expressed its thanks to the donor countries that provided extrabudgetary resources for increasing the attendance of the developing countries. The primary substantive issues were the comparability of financial statements and information disclosure. The most crucial topics were environmental accounting and accountancy in countries in the process of transition; those topics went beyond accounting for transnational corporations.

Action taken by the Commission

130. Chapter I of the report of the Group (E/C.10/1991/12) contained two draft decisions for adoption by the Commission.

131. At its 15th meeting, on 7 May, the Commission adopted draft decision II entitled "Renewal of the mandate and review of the objectives of the Intergovernmental Working Group of Experts on Internaticnal Standards of Accounting and Reporting" (see chap. I, sect. C, decision 1991/1). The draft decision contained a draft resolution for adoption by the Council (see chap. I, sect. A, draft resolution III).

132. At the same meeting, the Commission adopted draft decision I entitled "Report of the Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting on its ninth session and provisional agenda and documentation for the tenth session of the Group" (see chap. I, sect. C, decision 1991/2).

Chapter IX

STRENGTHENING THE NEGOTIATING CAPACITY OF DEVELOPING COUNTRIES IN THEIR DEALINGS WITH TRANSNATIONAL CORPORATIONS

133. The Commission considered item 10 of its agenda at its 11th and 13th to 16th meetings, from 17 to 19 April and 7 and 15 May 1991. It had before it the report of the Secretary-General on the experience gained in training and the development of human resources (E/C.10/1991/13) and the report of the Secretary-General on the activities of the United Nations Centre on Transnational Corporations and the activities of the joint units established with the regional commissions (E/C.10/1991/15).

134. In his introductory remarks, the Deputy Executive Director highlighted the developments and achievements of the training component of the Centre's technical cooperation programme. He emphasized that human resource development was a major objective of the Centre's technical cooperation programme, which aimed at inculcating skills to enhance the indigenous capabilities of host developing country officials in handling issues involving transnational corporations. He reported that during the period under review, the Centre was involved in 30 workshops and seminars in Africa, Latin America, Asia and Central and Eastern Europe. The workshops dealt with a wide array of subjects, such as the negotiation and drafting of joint ventures, international construction contracts, management contracts, mining and petroleum agreements, transfer of technology agreements, loan agreements and debt restructuring arrangements with transnational banks; foreign investment policies, the economic and legal environment for foreign direct investments, financing of highway construction with foreign investment; control of transfer pricing practices by transnational corporations; accounting with respect to joint ventures; international arbitration with respect to investment disputes; and training of local entrepreneurs to establish linkages with transnational corporations. For illustrative purposes, he cited workshops organized in Nigeria and for the Committee on Finance and Banking of the Association of South-East Asian Nations (ASEAN).

135. The Deputy Executive Director drew the Commission's attention to the training assistance being provided by the Centre to institutions of higher learning and institutes of public administration and management through appropriate training programmes in transnational corporations-related curricula designed for graduate studies in economics, business administration and law. He also reported on the entrepreneurship training programme (EMPRETEC) to promote the creation and growth of innovative small- and medium-sized enterprises using linkages with transnational corporations. That programme, which was being implemented in recognition of the central role of the private sector in development strategies, was being undertaken primarily in Africa and Latin America.

136. Finally, the Deputy Executive Director stressed the role of the Centre's human resource development programme within the priority themes of the United Nations Development Programme (UNDP) during its Fifth Cycle Programme. In conclusion, he expressed the Centre's appreciation to recipient countries that had made part of their UNDP Indicative Planning Figure resources available and

to the donor countries that had provided contributions to the Centre's Trust Fund.

137. All the delegations that took part in the discussion expressed support for the Centre's advisory and training assistance. Several delegations whose countries had been the recipients of those services during 1990 cited the assistance provided and the impact on their development. There were also particular references by a number of delegations to the EMPRETEC programme, which had contributed to the development and growth of small- and medium-sized enterprises with linkages to transnational corporations. In that context, the importance of small- and medium-sized enterprises for the development of developing countries was mentioned. Other representatives cited the work of the Centre in regional integration efforts, particularly in the African region and in ASEAN. Referring to the ongoing negotiations at the Uruguay Round, one delegation proposed that the Centre should provide further advisory and training assistance to developing countries in the services sector, including communications, publishing, mass media and construction, and assist in the revision of laws and regulations dealing with intellectual property rights. Another delegation suggested that technical assistance focus on the modernization of industrial and agricultural sectors and on the development of capital markets and the insurance industry. Another delegation stressed the importance of the Centre's technical cooperation programme in providing the necessary support to countries in Central and Eastern Europe in their efforts to re-integrate in the world economy.

138. Referring to reports of the Secretary-General on experience gained in training and the development of human resources (E/C.10/1991/13), one delegation expressed appreciation for the evaluations made of the training programmes of the Centre. It was suggested that more detailed information should be provided in future evaluations and that the Centre should consider the use of external consultants to undertake the evaluation. The same delegation also welcomed the effort to target the poorer developing countries and stated that the technical cooperation programme was the cornerstone of the Centre's activities. Another delegation cited the contribution of the Centre's technical cooperation programme in ensuring lasting relationships between transnational corporations and host developing countries through which well-informed partners tended to negotiate balanced and mutually beneficial arrangements that were, consequently, enduring. He also noted the complementarity and resulting synergy of the vital analytical work and the equally important technical cooperation programme of the Centre.

139. Several delegations emphasized the need for continuous financial support for the Centre's programme of technical cooperation. Recipient countries of the Centre's technical assistance and donor countries called upon other Member States to contribute to the Centre's Trust Fund for Technical Cooperation.

140. The Deputy Executive Director expressed the appreciation of the Centre for the statements made by delegations acknowledging the usefulness of advisory and training services provided by the Centre. He noted the recommendations made by a number of delegations on specific areas in which the Centre could further contribute in the development process and on future evaluation exercises. Lastly, he thanked the donors to the Centre's Trust Fund for their continuous support.

Action taken by the Commission

141. The Commission:

(a) Took note of the report of the Secretary-General on the experience gained in training and the development of human resources (E/C.10/1991/13);

(b) Reaffirmed the importance it attached to the technical cooperation programme of the United Nations Centre on Transnational Corporations;

(c) Requested the Secretary-General to report to the Commission at its eighteenth session on the programme of technical cooperation and to continue to review experiences gained in that programme.

Chapter X

COMPREHENSIVE INFORMATION SYSTEM

142. The Commission considered agenda item 11 at its 7th and 13th to 16th meetings, on 15, 18 and 19 April and 7 and 15 May 1991. It had before it the reports of the Secretary-General on the legal information services provided by the United Nations Centre on Transnational Corporations (E/C.10/1990/14) and on the activities of the United Nations Centre on Transnational Corporations and of the joint units established with the regional commissions (E/C.10/1990/15), which included information on the Centre's comprehensive information system.

143. In introducing the item, the Deputy Executive Director of the Centre noted the critical importance of providing access to reliable data on the structure, activities and strategies of major international actors, such as transnational corporations, and also access to information on the policies, laws and measures of Governments in that regard.

144. He provided a résumé of the current and future activities of the Centre with respect to the macroeconomic, legal, contractual, corporate and bibliographic components of the information system. During the past year, the Centre had received and responded to as many as 2,500 requests for in-depth information on various issues related to transnational corporations, which represented an increase of 25 per cent over the requests that had been registered in the previous year - an eloquent testimony to the increasing recognition by Governments of the importance of information in their decision-making processes.

145. Concerning the legal component of the Centre's information services, which was the focus of the report of the Secretary-General on the legal information services provided by the United Nations Centre on Transnational Corporations to developing countries (E/C.10/1991/14), the Deputy Executive Director gave examples of inquiries typically directed to the Centre in that area. He noted that the Centre responded to those requests by assembling, analysing and furnishing relevant information and data, where appropriate, or by establishing an advisory mission consisting of experts who advise on the entire range of options available to the country. Over the years, the Centre had compiled a body of legal information which revolved around the following categories: laws and regulations relating to foreign investment, transfer of technology and transnational corporations generally; contracts and other transactions involving transnational corporations; analytical studies on various legal issues or trends in transnational transactions; and secondary material on international business law.

146. He stated that a stable investment climate required specific measures of various kinds; the provision of appropriate, up-to-date information was a modest part of such measures.

147. One delegation expressed satisfaction with the progress made by the Centre in the collection and dissemination of information useful to the understanding of transnational corporations. It was of the opinion that the information provided by the Centre was critical to effective policy-making and

the conclusion of satisfactory investment agreements. The delegation supported the development of databases of financial and textual information on companies, particularly small- and medium-sized transnational corporations, as well as the activities of the Centre in making its electronic information available at the national level through the installation of local systems.

148. The same delegation noted with satisfaction the progress made by the Centre in collecting and disseminating legal information; it considered, in particular, that the development of full text databases of national laws and regulations on foreign direct investment and transnational corporations would constitute an important support resource for member States. It was further noted that member States played a key role in establishing effective information disclosure mechanisms and expressed support for international action directed towards facilitating information access and dissemination in that area of economic activity.

Action taken by the Commission

149. The Commission took note of the report of the Secretary-General on the legal information services provided by the United Nations Centre on Transnational Corporations to developing countries (E/C.10/1991/14) and requested the Secretary-General to report to the Commission at its eighteenth session on the experience gained in the development of the comprehensive information system since its seventeenth session.

Chapter XI

ACTIVITIES OF THE UNITED NATIONS CENTRE ON TRANSNATIONAL CORPORATIONS

150. The Commission considered agenda item 12 at its 12th to 16th meetings, from 17 to 19 April and 7 and 15 May 1991. It had before it the following documents:

(a) Report of the Secretary-General on the activities of the United Nations Centre on Transnational Corporations and the activities of the joint units established with the regional commissions (E/C.10/1991/15);

(b) Note by the Secretariat on the proposed work programme for the biennium 1992-1993 of the United Nations Centre on Transnational Corporations, including the joint units established with the regional commissions (E/C.10/1991/CRP.1).

151. In introducing the item, the Executive Director of the Centre reviewed the United Nations programme on transnational corporations, particularly in the light of the proposed programme budget for the biennium 1992-1993, and invited the Commission to comment on the Centre's proposed work programme.

152. He said that the activities of the Centre during the reporting period were aimed at the implementation of a large body of resolutions and decisions of intergovernmental bodies. He noted that the execution of the work programme required a certain degree of improvisation, given that the Centre's rapidly expanding mandate was not consistent with the "zero real growth" of the regular budget resources.

153. The Executive Director expressed appreciation for the financial support of the Governments which had donated extrabudgetary funds, particularly the Governments of China, Denmark, Finland, France, Japan, Malaysia, the Netherlands, Norway, Sweden, Switzerland and Zaire. The Centre also expressed its gratitude to the Governments of Denmark, France, Japan, Germany, Italy, the Republic of Korea and the Netherlands for their sponsorship of associate experts or scholars in residence in the Centre and its joint units with the regional commissions.

154. The Executive Director also informed the Commission of the way the Centre was organizing the research and technical cooperation activities. In that regard, he mentioned specifically the three main functions of the Centre, namely normative support, its analytical function and advisory and training functions.

155. He explained that in its normative support function, the Centre was assisting in the development and adoption of international arrangements and international standards to supplement national laws as they related to foreign direct investment and the activities of transnational corporations. He specifically noted that international standards of accounting and reporting and standards of environmental protection and industrial safety were two fields in which the assistance of the Centre had most often been sought in recent times. The Executive Director suggested that the Centre's analytical

function evolved in a number of subject areas that required in-depth analysis and further international action. In that regard, he specifically mentioned the policies of the new open-door countries and countries in transition, and the issues of privatization, international environmental management, environmental accounting, the transfer of environmentally sound technologies, the phenomena of small- and medium-sized transnational corporations and the European single market and its implications for foreign investment. He also illustrated the increasing policy orientation of the research programme where many of the Centre's technical papers offered valuable background material for decision makers in Governments and in the public and private sectors. Finally, he mentioned the increasing linkages between research projects and the Centre's programme of technical cooperation and the integrated nature of many individual studies. Such a comprehensive approach allowed the proposal of suggestions and recommendations of particular use to Governments in the development or revision of their national policies with regard to foreign direct investment. He informed the Commission that the Centre had commenced work on the Fifth Survey on the role of transnational corporations in the world economy, which could provide the international community with an important outlook on the world economy, in which transnational corporations were the key actors.

156. The Executive Director also underlined the importance of the Centre's advisory and training functions. The Centre maintained the reputation of a major international provider of expert services and source of specialized knowledge in the area of foreign investment. He gave examples of ongoing innovative projects geared towards facilitating mutually beneficial linkages between transnational corporations and countries hosting foreign investment.

157. The Executive Director suggested that the Commission could increasingly have the capacity to make important assessments that could shape international action in the area of foreign direct investment and could serve as a forum where an international investment strategy aimed at the stimulation of the flow of investment capital, technology and skills to host developing countries could be developed. In order to strengthen that capacity of the Commission, the Centre had organized, and would be prepared to do so in the future, a series of pre-session and in-session expert seminars in which leading international experts could introduce the technical intricacies of various subjects on the international investment agenda.

158. The Executive Director also expressed his appreciation for the contributions made by the expert advisers. Their experience and expertise significantly advanced the level of the Commission's deliberations and allowed it to come up with sound policy-oriented recommendations.

159. In conclusion, the Executive Director paid tribute to Sidney Dell, Executive Director of the Centre from 1982 to 1984, and one of the United Nations most outstanding economists, who passed away early in 1991. Mr. Dell had exerted a unique influence in shaping international ideas and mechanisms governing trade, aid, investment and monetary relations between developed and developing countries.

160. Most delegations commended the work of the Centre and the exemplary quality of its research and technical cooperation activities, which was attributed to the high professionalism, extensive experience and skills of the

Centre's staff, experts and consultants. In the opinion of those delegations, the report of accomplishments of the Centre since the last session of the Commission was impressive, particularly in the light of existing resource constraints under the regular budget and extrabudgetary funds. Satisfaction was expressed about the measures the Executive Director had undertaken to enhance the programme's management. Particular mention in that regard was made of the setting up of the Programme Review Group, which considered new requests for technical assistance and advisory services and reviewed the implementation of ongoing projects.

161. Many delegations stressed their support of the Centre's technical cooperation programme, which was aimed at strengthening the negotiating capacity of host developing countries in their dealings with transnational corporations. The delegations said that they attached increasing importance to that activity which should be further reinforced. In that regard, those delegations supported the proposed scope and contents of advisory and training projects proposed for the period 1992-1993.

162. One delegation was of the view that the Centre's work in the area of technical cooperation should be more closely coordinated with national investment centres established in many developing countries. That delegation felt that such coordination was needed for strengthening the working linkages between institutions and organizations of the United Nations system and those outside it. It was also suggested that there should be closer cooperation with the United Nations Industrial Development Organization (UNIDO) in the field of development and promotion of small- and medium-sized enterprises and in the area of organization of investment promotion tours.

163. Several delegations noted that dramatic changes had taken place in the countries of Central and Eastern Europe, where radical economic and social reforms were being undertaken. The process of transition from centrally planned to market-oriented economies bore both major risks and opportunities. The success of the reforms would depend on the ability of countries of the region to integrate effectively into the world economy and to join the global network of trade, investment and financial arrangements. Those delegations emphasized that the Centre might play an important role in assisting the countries of Central and Eastern Europe in that endeavour, particularly through providing information, upon request, on transnational corporations, issuing publications on national legal frameworks relating to foreign direct investment which had been established in Eastern and Central Europe, organizing training workshops and seminars on the development of entrepreneurial and management skills and arranging for study tours. One delegation pointed out that the Centre's technical cooperation with Central and Eastern Europe was of universal significance since its results could be used by a large group of countries which pursued more open-to-the-world-economy policies, particularly developing countries. Appreciation was expressed to the Centre for being one of the first United Nations departments to respond in a practical and efficient manner to the decisions of the eighteenth special session of the General Assembly.

164. One delegation, expressing the views of many others, indicated that major developments and political changes occurring in certain parts of the world would carry opportunities for many developed countries. However, there were apprehensions among least developed countries with regard to the impacts

of these developments on the social and economic conditions of developing countries.

165. The same delegation expressed satisfaction with the Centre's continued priority attention to the execution of training and advisory activities in many developing countries. The efficiency of such activities was illustrated by several delegations through references to specific country projects which the Centre had been undertaking in various fields and sectors of the economy. The delegation concluded by saying that the Centre was a unique multilateral institution to which its country turned in difficult times.

166. One delegation recalled General Assembly resolution 45/188 on entrepreneurship. It felt that there was a close relationship between entrepreneurship and foreign direct investment, which implied that the Centre could play an active role in the implementation of that resolution.

167. Delegations, expressing their views on the comprehensive information system, indicated the usefulness of the information activities of the Centre and urged it to maintain the attained level of that activity.

168. During the discussion of the agenda item, several delegations made suggestions with regard to future research projects. Among the subjects of particular interest to Governments, the following were mentioned: the interrelationship between foreign direct investment, trade and finance; transfer of technology; transnational corporations and human resource development; assessment of the effects of transnational corporations on specific economic sectors of host countries; and new trends and developments in the process of transnationalization.

169. Delegations welcomed the more active participation of the expert advisers in the work of the Commission and the Centre, particularly through in-session seminars. The opinion was expressed that the contribution of the expert advisers should be further developed.

170. In his concluding remarks, the Executive Director expressed gratitude for the high assessment of the work of the Centre. Given that the Centre had succeeded within relatively modest resources available in making a tangible impact in the countries which received its technical assistance, he called on Governments to consider further support to the Centre's trust funds. In responding to the specific observations of delegations, the Executive Director gave examples of the Centre's cooperation with national investment centres. He also stated that the Centre would continue to exercise its role as the United Nations focal point on all matters related to foreign direct investment and transnational corporations, a function which required extensive coordination and cooperation with numerous agencies and organizations within and outside the United Nations system.

Action taken by the Commission

171. The Commission:

(a) Took note of the report of the Secretary-General on the activities of the United Nations Centre on Transnational Corporations and the activities

of the joint units established with the regional commissions (E/C.10/1991/15) and the note by the Secretariat on the proposed work programme for the biennium 1992-1993 of the United Nations Centre on Transnational Corporations, including the joint units established with the regional commissions (E/C.10/1991/CRP.1);

(b) Took note of the note by the Secretariat on the question of expert advisers (E/C.10/1991/16). The Commission welcomed the more active participation of expert advisers in its work and requested the Executive Director of the Centre to explore ways of maximizing their contribution to the programme on transnational corporations, including, when necessary, by co-opting ad hoc expert advisers;

(c) Requested the Secretary-General to take into account, in the future work of the Centre, the views expressed by delegations at its seventeenth session and to submit a report to the Commission at its eighteenth session on the activities of the Centre, including the activities of the joint units established with the regional commissions. In this context, it requested the Executive Director of the Centre to seek the views of Governments, specialized agencies, non-governmental organizations, including the business community, and United Nations bodies concerned with foreign direct investment on different avenues to promote international discussions on investment and development and to report those views to the Commission at its eighteenth session.

Chapter XII

PROVISIONAL AGENDAS FOR THE EIGHTEENTH AND NINETEENTH SESSIONS OF THE COMMISSION

172. The Commission considered item 13 of its agenda at its 13th and 15th meetings, on 18 April and 7 May 1991. It had before it a note by the Secretariat containing the draft provisional agendas for the eighteenth and nineteenth sessions (E/C.10/1991/L.7), together with an indicative list of requested documentation.

173. The Chairman of the Commission opened the discussion and stated that the Bureau had considered ways to allow more in-depth consideration of items on the Commission's annual agenda without sacrificing the scope of the Commission's work and had agreed that that could be done through the biennialization of selected items. Accordingly, the Bureau, with the assistance of the Executive Director of the Centre, had prepared provisional agendas for the next two sessions of the Commission.

174. The Executive Director of the Centre elaborated on the proposals made by the Bureau and indicated that biennialization would not affect the Centre's work, which would continue on all items and would be reported upon annually to the Commission in the report of the Secretary-General on activities of the Centre. In taking up that report, the Commission could make recommendations on all pertinent matters.

175. Delegations welcomed the proposals and noted that biennialization would permit the Commission to take up new items without straining its capacity to consider existing items. In that context, future topics were suggested, including human resource development. It was also noted that environment might be a special item warranting consideration at both the eighteenth and nineteenth sessions in order to prepare for, and follow-up on, the results of the United Nations Conference on Environment and Development to be held in 1992.

176. Clarification was sought on the need for item 8 of the provisional agenda for the eighteenth session, which referred to the provisional agenda of the nineteenth session, in the light of the proposal to decide upon the contents of both provisional agendas at the current session.

177. In response to the issues raised in the discussion, the Executive Director stated that environment provided a good illustration of the distinction between in-depth discussion of the type sought by including separate items on the provisional agenda and ad hoc discussion under the catch-all item on the activities of the Centre. Thus, the Commission could be expected to have an in-depth discussion on environment at its eighteenth session to finalize its contribution to the United Nations Conference on Environment and Development, and also an ad hoc discussion on environment at its nineteenth session on any new directions to be provided to the activities of the Centre in follow-up to the Conference. He also clarified that item 8 of the provisional agenda on the eighteenth session should be seen as providing an opportunity to fine-tune the provisional agenda for the nineteenth session on the basis of the biennial format agreed upon at the present session.

Action taken by the Commission

178. At its 15th meeting, on 7 May, the Commission adopted the draft provisional agendas for the eighteenth and nineteenth sessions as contained in document E/C.10/1991/L.7. The Commission also requested that the report of the Secretary-General on the activities of the Centre be exempted from the standard page-limit set for documentation, in order to allow for comprehensive annual reporting on all pertinent activities.

Chapter XIII

ADOPTION OF THE REPORT OF THE COMMISSION ON ITS SEVENTEENTH SESSION

179. At its 15th meeting, on 7 May 1991, the Commission adopted the draft report on its seventeenth session (E/C.10/1991/L.3 and Add.1-11), as orally revised by the Rapporteur.

Chapter XIV

ORGANIZATION OF THE SESSION

A. Opening and duration of the session

180. The Commission on Transnational Corporations held its seventeenth session at United Nations Headquarters from 10 to 19 April 1991, and a resumed session on 7, 10 and 15 May 1991. The Commission held 16 meetings (1st to 16th).

181. The session was opened by the Vice-Chairman of the sixteenth session, Mr. Adian Silalahi (Indonesia).

182. The Director-General for Development and International Economic Cooperation, in his opening address to the Commission, stressed the increased importance of the role of transnational corporations as an integrating force for world foreign investment and technology flows. The Diretor-General emphasized the importance of the developments in Central and Eastern Europe, which would add to the competing demands for international capital. The needs of developing countries for inflow of investments had to be taken into account. Many developing countries had already implemented a variety of policy changes to create a more congenial environment for foreign investment in their respective countries. The deliberations of the Commission should examine means to increase investment and technology flows in developing countries. The transnational corporations should also make a substantive contribution to human resources development and in environmentally responsible management, including the transfer of environmentally sound technologies.

183. The Executive Director of the Centre, in his opening address to the Commission, referred to the substantial resource flows that the developing countries would require in the coming years and the lack of ready answers on where the additional resources would come from. However, he said one sentiment appeared to have gained early acceptance in various forums: if the 1980s were a decade of debt, the 1990s should be a decade of equity. Underlying the convergence of views was a simple statistic. In 1980, equity investment amounted to only 20 per cent of long-term private capital flows to developing countries; the other 80 per cent was bank lending. Today, those ratios were reversed. Equity investment now comprised almost 80 per cent of long-term private capital flows to developing countries. While foreign direct investment had not replaced bank lending, it could play a greater role in the development strategies of developing countries.

B. Attendance

184. The following States members of the Commission attended the session: Argentina, Bangladesh, Belgium, Brazil, Bulgaria, Burundi, Chile, China, Colombia, Costa Rica, Cuba, Cyprus, Czechoslovakia, Egypt, France, Gabon, Germany, Ghana, India, Indonesia, Iran (Islamic Republic of), Iraq, Italy, Japan, Kenya, Mexico, Netherlands, Norway, Pakistan, Peru, Philippines, Poland, Republic of Korea, Romania, Sierra Leone, Swaziland, Switzerland, Tunisia, Union of Soviet Socialist Republics, United Kingdom of Great Britain and Northern Ireland, United Republic of Tanzania, United States of America, Uruguay, Zaire, Zambia and Zimbabwe.

185. The following expert advisers attended the session: José Maria Basagoiti (Mexico), Antonio Colombo (Italy), Chakufwa Chihana (Malawi), Peter Frerk (Germany), Gosta Karlsson (Sweden), Laurence McQuade (United States of America), Karl-Erik Onnesjo (Sweden), Sylvia Ostry (Canada), Rudolph Oswald (United States of America), Oscar Schachter (United States of America), Oswaldo Sunkel (Chile), Wang Linsheng (China) and Nikolai G. Zaitsev (Union of Soviet Socialist Republics).

186. The following States Members of the United Nations were represented by observers: Algeria, Canada, Ecuador, Fiji, Finland, Guatemala, Hungary, Jamaica, Lesotho, Mali, Panama, Spain, Sweden, Turkey, Uganda, Venezuela and Yugoslavia.

187. The World Food Council was represented by an observer.

188. Representatives of the United Nations Conference on Environment and Development and of the United Nations Conference on Trade and Development also attended the session.

189. The following specialized agencies were represented: International Labour Organisation, United Nations Educational, Scientific and Cultural Organization, World Bank, United Nations Industrial Development Organization.

190. The following non-governmental organizations in consultative status with the Economic and Social Council, category I, were represented by observers: International Chamber of Commerce, International Confederation of Free Trade Unions, International Organization of Consumers Unions, International Organisation of Employers, World Federation of Trade Unions.

C. Election of officers

191. At its 1st and 2nd meetings, on 10 April, the Commission elected the following officers by acclamation:

Chairman: José María Borbón (Costa Rica)

Vice-Chairmen: José Lino B. Guerrero (Philippines)
Ole Kristian Holthe (Norway)
Misu Negritoiu (Romania)

Rapporteur: Andrew G. Bangali (Sierra Leone)

D. Agenda and organization of work

192. At its 1st meeting, on 10 April, the Commission adopted its provisional agenda, contained in document E/C.10/1991/1 (see annex I).

193. At the same meeting, the Commission approved the organization of work of the session as set out in document E/C.10/1991/L.2, as orally amended.

194. Also at the same meeting, the Commission took note of the information regarding expert advisers, contained in document E/C.10/1991/16.

195. At its 6th meeting, on 12 April, the Commission appointed the following Friends of the Rapporteur: Bagas Hapsoro (Indonesia), Tehmina Janjua (Pakistan), Albert Muchanga (Zambia), Jorge Osella (Argentina), Wojciech Ponikiewski (Poland) and Peter van Rens (Netherlands).

E. Documentation

196. The documents before the Commission at its seventeenth session are listed in annex II.

Annex I

AGENDA OF THE SEVENTEENTH SESSION

1. Election of officers.

2. Adoption of the agenda and organization of work.

3. Recent developments related to transnational corporations and international economic relations.

4. Transnational corporations and issues relating to the environment, including the contribution of the Commission and the United Nations Centre on Transnational Corporations to the work of the Preparatory Committee for the United Nations Conference on Environment and Development.

5. Role of transnational corporations in services, including transnational banks:

   (a) Role of transnational banks;

   (b) Role of transnational corporations in other services.

6. Ongoing and future research.

7. Work related to the code of conduct on transnational corporations and other international arrangements and agreements:

   (a) Progress made in the work on the code of conduct on transnational corporations;

   (b) Other international, regional and bilateral arrangements and agreements related to transnational corporations.

8. Transnational corporations in South Africa.

9. International standards of accounting and reporting.

10. Strengthening the negotiating capacity of developing countries in their dealings with transnational corporations.

11. Comprehensive information system.

12. Activities of the United Nations Centre on Transnational Corporations.

13. Provisional agenda for the eighteenth session of the Commission.

14. Adoption of the report of the Commission on its seventeenth session.

Annex II

DOCUMENTS BEFORE THE COMMISSION AT ITS SEVENTEENTH SESSION

Document symbol	Agenda item	Title or description
E/C.10/1991/1	2	Provisional agenda
E/C.10/1991/2	3	The triad in foreign direct investment: report of the Secretary-General
E/C.10/1991/3	4	Contribution of the Commission and the United Nations Centre on Transnational Corporations to the work of the Preparatory Committee for the United Nations Conference on Environment and Development: report of the Secretary-General
E/C.10/1991/3/Add.1	4	Transnational corporations and issues relating to the environment: report of the Secretary-General
E/C.10/1991/4	5 (a)	Transnational banks and the external indebtedness of developing countries: report of the Secretary-General
E/C.10/1991/5	5 (a)	Transnational banks and debt-equity conversions: report of the Secretary-General
E/C.10/1991/6	5 (b)	Impact of transnational service corporations on developing countries: report of the Secretary-General
E/C.10/1991/7	6	Determinants of foreign direct investment and their policy implications: report of the Secretary-General
E/C.10/1991/8 and Corr.1	7 (a)	Progress made in the work on the code of conduct on transnational corporations: report of the Secretary-General
E/C.10/1991/9	7 (b)	Other international, regional and bilateral arrangements and agreements related to transnational corporations: report of the Secretary-General
E/C.10/1991/10	8	Transnational corporations in South Africa: report of the Secretary-General

Document symbol	Agenda item	Title or description
E/C.10/1991/11	8	Transnational corporations with interests in South Africa: report of the Secretary-General
E/C.10/1991/12 and Corr.1	9	Report of the Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting on its ninth session
E/C.10/1991/13	10	Experience gained in training and the development of human resources: report of the Secretary-General
E/C.10/1991/14	11	Legal information services: report of the Secretary-General
E/C.10/1991/15 and Corr.1	6, 10, 11 and 12	Activities of the United Nations Centre on Transnational Corporations and the activities of the joint units established with the regional commissions: report of the Secretary-General
E/C.10/1991/16	2	Question of expert advisers: note by the Secretariat
E/C.10/1991/CRP.1	12	Proposed work programme for the biennium 1992-1993 of the United Nations Centre on Transnational Corporations, including the joint units established with the regional commissions: note by the Secretariat
E/C.10/1991/L.1	2	Status of documentation for the session: note by the Secretariat
E/C.10/1991/L.2	2	Organization of the work: note by the Secretariat
E/C.10/1991/L.3 and Add.1-11	14	Draft report
E/C.10/1991/L.4	8	Activities of transnational corporations in South Africa: draft resolution submitted by Algeria on behalf of the States Members of the United Nations that are members of the Group of African States
E/C.10/1991/L.4/Rev.1	8	Algeria on behalf of the States Members of the United Nations that are members of the Group of African States and Cuba: revised draft resolution

Document symbol	Agenda item	Title or description
E/C.10/1991/L.5	7 (b)	Corrupt practices in international business transactions: draft resolution submitted by the United States of America
E/C.10/1991/L.5/Rev.1	7 (b)	Romania and United States of America: revised draft resolution
E/C.10/1991/L.6	3, 4, 5, 6, 10, 11 and 12	Recommendations of the Commission on Transnational Corporations at its seventeenth session and its contribution to the preparatory process of the United Nations Conference on Environment and Development: draft resolution submitted by Ghana on behalf of the States Members of the United Nations that are members of the Group of 77
E/C.10/1991/L.6/Rev.1	3, 4, 5, 6, 10, 11 and 12	Ghana on behalf of the States Members of the United Nations that are members of the Group of 77: revised draft resolution
E/C.10/1991/L.7	13	Draft provisional agendas for the eighteenth and nineteenth sessions of the Commission
E/C.10/1991/L.8	7 (b)	Corrupt practices in international business transactions: draft resolution submitted by the Vice-Chairman of the Commission, Mr. Ole Kristian Holthe (Norway), on the basis of informal consultations held on draft resolution E/1991/L.5/Rev.1
E/C.10/1991/L.9	3, 4, 5, 6, 7, 10, 11 and 12	Recommendations of the Commission on Transnational Corporations at its seventeenth session and its contribution to the preparatory process of the United Nations Conference on Environment and Development: draft resolution submitted by the Vice-Chairman of the Commission, Mr. José Lino Guerrero (Philippines), on the basis of informal consultations held on draft resolution E/C.10/1991/L.6/Rev.1